

No. 11,657

IN THE

**United States Circuit Court of Appeals
For the Ninth Circuit**

STORK RESTAURANT, INC. (a corporation),
Appellant,

VS.

N. SAHATI, ZAFER SAHATI, SALLY SAHATI,
EDMOND SAHATI, ALFRED ANSARA, A. E.
SYUFY,
Appellees.

BRIEF FOR APPELLANT.

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Appellees.

BRIEF FOR APPELLANT.

ABSTRACT OF THE CASE.

The appellant, Stork Restaurant, Inc., brought this action in the District Court for the Northern District of California, Southern Division, to enjoin the appellees from infringing upon the appellant's property right in its trade name, "The Stork Club," and from engaging in unfair trade practices affecting such trade name and, also, the appellant's insignia, consisting of a stork standing on one leg and wearing a high hat and monocle.

The complaint (Tr. 2, 10) likewise sought damages in the sum of \$5,000, but this prayer was waived (Tr. 51, 53-54).

After a trial at which evidence, oral, documentary, and physical, was introduced, the court (Judge Roche) made findings of fact and conclusions of law (Tr. 37) and entered judgment (Tr. 45) denying injunctive relief. The court did not render an opinion.

The broad question on the appeal is whether the trial court erred in denying the injunction.

STATEMENT OF JURISDICTION.

The jurisdiction of the trial court was founded upon Section 24 of the Judicial Code (28 U. S. C. A., sec. 41 (1)). The complaint alleged that the appellant is a corporation organized and existing under the laws of the state of New York, and that the defendants are all residents and citizens of the state of California; and that the matter in controversy, exclusive of interest and costs, exceeds the sum of \$3,000 (Tr. 3). The trial court found that it had jurisdiction of the action, and the finding is supported by the record (Tr. 38, 3, 19).

The jurisdiction of this Court on appeal arises from Section 128 of the Judicial Code (28 U. S. C. A., sec. 225), which grants jurisdiction to review "final decisions" in the district courts. The judgment appealed from (Tr. 45) was made and entered April 28, 1947. The notice of appeal (Tr. 46) was filed with the Clerk of the District Court on May 16, 1947, which was within the time allowed by 28 U. S. C. A., sec. 230.

SUMMARY OF EVIDENCE.

The testimony introduced by the appellees on direct examination occupies about one page of the printed transcript (Tr. 284-285), and a portion of such testimony was later stricken (Tr. 286). In addition, the appellees introduced a very slight amount of testimony by way of cross-examination. The balance of the testimony, all of the documentary evidence except Defendants' Exhibits A and B, which consisted of a wine list and a menu of the appellant's "Stork Club" (Tr. 158-159), and all of the physical evidence¹, which was rather voluminous, were introduced by the appellant. As a result, there is no substantial conflict in the evidence.

For the sake of convenient reference, the following summary of the evidence will be presented under various topical headings which will later be keyed to the argument.

Nature and Extent of the Appellant's Business and Reputation.

The appellant owns and operates a cafe and night club in New York City which is known all over the world as "The Stork Club" (Tr. 63), and which has been described in a newsreel as "the best and most publicized night club in the entire world" (Tr. 150).

As found by the court, "The plaintiff now is, and continuously since on or about August 15, 1934, has been operating, maintaining and conducting a large

¹A considerable number of important documentary and physical exhibits are not contained in the printed transcript, but have been made a part of the record on appeal (Tr. 289).

restaurant, cafe and night club business under the name "The Stork Club" at No. 3 East 53rd St., New York City, New York, supplying therein and thereat expensive food, beverages, music and dancing facilities" (Tr. 38); "plaintiff employs approximately two hundred forty (240) people to provide several hundred customers each day between 11:30 A.M. and 4:00 P.M. with relatively high-priced and high quality food, beverages and entertainment, which service yields an average gross income of over one million (1,000,000) dollars" (Tr. 39).

Further, "The plaintiff has expended considerable effort and large sums of money, aggregating in excess of five hundred thousand (500,000) dollars in the last eleven years advertising in the State of New York" (Tr. 39). Specifically, the record shows that the appellant expended \$727,582. 59 during the years 1935 through 1945 for advertising purposes (Tr. 58); and, despite the court's finding that such sum was spent in advertising "in the State of New York", the record clearly shows that such advertising was conducted, through various media, including radio, newspapers, magazines, books, motion pictures, and established mailing lists, on a nation-wide scale. In order adequately to convey the force and breadth of the appellant's continuous advertising and promotional campaign, we shall now summarize under appropriate sub-headings the undisputed evidence in this regard.

Gifts, souvenirs, postal cards, and circulars. During the years 1937 through 1945 the appellant expended the following amounts: "260 clip watches, \$2640; 4878

key tags, \$802.43; 400 radios, \$4840; 15,700 calendars, \$2305.20; 3975 decks of playing cards, \$1012.99; 160 fountain pens, \$2153.50; 42 alligator bags, \$2612.29; 17,624 lipsticks, \$5827.80; 2108 compacts, \$4216; 86,000 paper cigarette holders, \$818.75; 221,500 'Stork Talk', \$6163.02; 658,350 postal cards, \$3051.80—that item does not comprise the entire amount. Also, 4503 ties and scarfs, \$22,256.01; 2716 auto plates, \$911.30; 22,229 bottles of perfume, \$102,549.54; 639,923 lucky coins, \$11,693.50; 6,983,750 packages of book matches, \$18,095.42; 26,608 articles of jewelry amounting to \$9,969.36" (Tr. 70-71). Numerous of these items are in evidence as physical exhibits. See Plaintiff's Exhibits 3 through 6, 7-A, 7-B, 8 through 11, 12-A, 12-B, 13, 14-A, 14-B, and 15 through 21.

The figures for the postal cards represent only one year, 1940; a minimum of 200,000 cards were purchased in each of the other years from 1937 through 1945 (Tr. 71). While a similar itemization is not available for the years 1935 and 1936, the appellant expended \$33,135.80 and \$47,482.87 in those years, respectively, for such advertising (Tr. 60-61).

The transcript is replete with evidence indicating the widespread distribution of such articles. For example, the match pads, postal cards and circulars, as well as other items, were distributed by way of a mailing list consisting of about 200,000 names (Tr. 120). This mailing list was compiled from various sources, including "the registers of various schools, clubs, private mailing list of the movie people on the west coast, Congressmen, Senators, and Mayors; also, of

social register of New York City and all over the United States" (Tr. 120). Included in the mailing list were the social registers from San Francisco itself (Tr. 120). Sample volumes of the San Francisco Social Register for the years 1935 and 1941, taken from the files of the San Francisco Public Library, were exhibited in court (Tr. 207-208). While the entire mailing list was not used for each item, "numerous of the items" mailed during the past ten years went to persons in the San Francisco area—a "majority" of the time (Tr. 138). "Many thousands" of articles were distributed through the mails in this manner for advertising purposes (Tr. 121). Many of the articles bore the insignia as well as the name of "The Stork Club" (Tr. 113-114). By special arrangement, some of the match pads were distributed by TWA from its airports all over the country (Tr. 88).

The Stork Club has given away automobiles, thousand dollar bills, five hundred dollar bottles of perfume, and thousands of thirty-five dollar bottles of perfume (Tr. 167). It sends Christmas presents to all United States Senators and Congressmen, Governors, and all Mayors of the largest cities (Tr. 168).

The balance of the \$727,582.59 was expended on so-called "house" advertising, covering such matters as complimentary meals and entertainment furnished to visiting celebrities, including "members of the newspaper field and radio celebrities and stars of stage and screen, men in prominent and public life in the industrial world" (Tr. 114); and photo supplies, salaries for advertising, and the like (Tr. 115).

Newspapers. During a sample two-month period, from March 4 to May 4, 1942, there were over a thousand clippings from newspapers, supplied by a clipping service, in which the Stork Club was mentioned (Tr. 108). And during a sample six-month period, from December, 1945, to July 9, 1946, the Stork Club was mentioned over a thousand times in connection with photographs taken exclusively at the club (Tr. 107). The newspapers in which such items appeared were published all over the United States, including practically every state in the union (Tr. 108).

The Stork Club's publicity director takes each year thousands of photographs—at least a thousand a month—of persons visiting the club. These pictures are in demand by photo syndicates in New York City and all movie magazines (Tr. 157). A large percentage of the pictures are republished in newspapers, magazines, and other publications, and invariably credit is given to the Stork Club—that is, all photographs bear the words "Stork Club" (Tr. 157-158). These publicity practices have been carried on over a long period of years (Tr. 158).

A group of 25 caption sheets, showing the names and addresses of persons from San Francisco and vicinity who had patronized the Stork Club and had been photographed there for newspaper publication, was introduced into evidence as Plaintiff's Exhibit 22 (Tr. 121-123). These sheets were not the entire amount, but were "just a few taken out of the files recently" (Tr. 121). Such photographs were sent to

the various wire services, such as Associated Press, Acme News, United Feature Syndication, and International News Photo, which in turn sent prints to all states in the union (Tr. 125). Four sample newspaper clippings taken from California newspapers in December, 1940, containing photographs of San Francisco people who attended the Stork Club, were introduced into evidence as Plaintiff's Exhibit 24 (Tr. 126-127). Similarly, Plaintiff's Exhibit 25 consists of ten such clippings taken from California newspapers in December, 1941, containing photographs of California people who appeared at the Stork Club (Tr. 128-129). Plaintiff's Exhibit 26 is a group of 71 clippings and photographs taken from California residents who visited the Stork Club (Tr. 129-130, 135). And Plaintiff's Exhibit 27 consists of 37 clippings and photographs from the year 1946 (Tr. 135-136).

The above clippings are merely samples. In addition to the "thousands and thousands" of such clippings which the appellant has in its files, there are "many thousands of others" which it did not receive due to the fact that the clipping service purports to pick up only about one out of ten such clippings (Tr. 136).

The Stork Club is frequently mentioned, also, by many columnists. Walter Winchell, whose column appears in 800 newspapers, and who has a wider circulation than any other columnist in the United States, mentions the Stork Club "at least four times a week" (Tr. 151); Leonard Lyons, with an outlet of 200 newspapers, mentions the Stork Club in his col-

umns "at least 3 or 4 times weekly" (Tr. 146, 151); and Dorothy Kilgallen, who writes for the Hearst papers, as well as others, refers to the Stork Club "four or five days a week" (Tr. 151-152). Photographic reproductions of 78 of Winchell's columns in which the Stork Club was mentioned, and which appeared in the San Francisco Call-Bulletin, were received in evidence as Plaintiff's Exhibits 52 through 63 (Tr. 185-190).

Other well known writers who were frequent visitors of the Stork Club are Cholly Knickerbocker, Damon Runyon, Bill Corum, Westbrook Pegler, E. V. Durling, Arthur Bugs Baer, Danton Walker, Nick Kenny, Dan Parker, Barklay Beekman, Nancy Randolph, Charles Ventura, Jimmy Jemail, Ed Sullivan, and Hedda Hopper (Tr. 152-153). The Stork Club avowedly curries favor with such columnists for publicity purposes, and permits them to visit the club at any time without reservations (Tr. 153).

Books and magazines. The Stork Club has participated in national advertising campaigns, in conjunction with Buick automobiles and Chesterfield cigarettes, the advertisements appearing in all the large magazines, such as "Cosmopolitan", "Look", and "Life" (Tr. 153-155). In the Buick advertisement a picture of the car was taken in front of the Stork Club canopy, with Clem McCarthy, the newspaper commentator, at the wheel (Tr. 154). The Chesterfield advertisement portrayed a Stork Club hat-check girl with a tray of cigarettes, and it mentioned Sherman Billingsley's Stork Club in New York City (Tr.

154-155). This advertisement, in addition to appearing in the national magazines, was used on color posters which were displayed in subways, newsstands, and drug stores over the entire country (Tr. 154).

A total of twenty-one magazines are in evidence, in each of which the Stork Club is mentioned, and some of which contain complete articles about it. The magazines include eight issues of "Life", one of which contains an article entitled "Life Visits the Stork Club"; five issues of "Time"; two issues of "Good Housekeeping", containing in two installments a story entitled "The Murder in the Stork Club"; one issue of "Collier's"; one issue of the "American", containing an article called "Sherman Packs Them In"; one issue of the "New Yorker", containing an article entitled "The Army Life. Word from Mr. Billingsley"; one issue of the "Saturday Evening Post"; one issue of the "American Mercury", containing an article called "Inside the Stork Club"; and one issue of "Look", containing an article entitled "The Truth About the Stork Club." These magazines are in evidence (Tr. 144, 176-184) as Plaintiff's Exhibits 29-A and 29-B, and Plaintiff's Exhibits 32 through 51.

The above-mentioned story, "The Murder in the Stork Club", was also published in book form (Tr. 145). Still another book about the Stork Club was written by Lucius Beebe, and the Stork Club was paid "15 per cent" for the use of its name (Tr. 147). Both of these books are in evidence as Plaintiff's Exhibits 30 and 31-A, respectively.

Radio. In the radio field, Sherman Billingsley has made numerous personal appearances on coast-to-coast networks. For example, the Rudy Vallee program, with an outlet of 142 stations; "Duffy's Tavern", with an outlet of 132 stations; and the Jinx Falkenberg show, "Blind Date". On all of these programs Billingsley was introduced as managing director of, or as being connected with, the Stork Club, and similar references to the Stork Club were made during the course of the programs (Tr. 141).

Billingsley has also appeared on the "Chesterfield Supper Club", with an outlet of 146 stations, on which program the Stork Club was mentioned at least six or eight times, coast-to-coast. And he has appeared on the NBC New Year's Eve program, on which occasion he was interviewed for four minutes, and the activities of the Stork Club were discussed (Tr. 142).

In addition, the Stork Club has been mentioned on many other programs—all national hook-ups—such as those of Bing Crosby, Frank Sinatra, Eddie Cantor, Sammy Kay, Walter Winchell, Jack Benny, Jimmy Durante, and Fred Allen (Tr. 142, 155-156). Allen has mentioned the Stork Club many, many times (Tr. 156). And during the war, war bond drives were held in the Stork Club itself, when bonds were sold at auction, and such programs were broadcast over a national hook-up (Tr. 153).

Motion pictures. A motion picture entitled "The Stork Club", produced by Paramount Pictures at a cost of close to \$1,700,000 (Tr. 193), and starring

Betty Hutton and Barry Fitzgerald, was given 14,457 exhibitions throughout the United States, during a run of 59 weeks, at a rental of \$3,018,676.26 (Tr. 208-209). In the so-called northern California territory, this picture was given 532 showings, during a run of 60 weeks, at a rental of \$126,588.89 (Tr. 212-213). And in San Francisco alone, during a ten-day run at the Fox Theatre, it was viewed by a total of 83,729 people (Tr. 162). It was exhibited in all of the states (Tr. 194). The sets for the picture were exact replicas of the Stork Club in New York (Tr. 148-149).

Out of seven classifications or standards of quality, "The Stork Club" picture was ranked in the class next to the highest (Tr. 214-215). One of the reasons for its excellence and popularity was the fact that "it had a very salable title, the popularity of the Stork Club was spread all over the United States. It was a very significant name * * *" (Tr. 216). For the use of its name in this picture the Stork Club was paid \$27,500 (Tr. 171).

The Pathe News made a newsreel, "Pathe on Parade", showing exclusive scenes and activities at the Stork Club. This picture was released to the general public (Tr. 150-151). Newsreels are also taken at a fashion show held monthly at the Stork Club and sponsored by the Cosmopolitan Magazine. And these, too, will be shown to the public (Tr. 151).

In addition, the Twentieth Century Fox Film Corporation released a picture in the "March of Time" series, entitled "Night Club Boom", which included scenes from various night clubs in New York City,

including the Stork Club (Tr. 199-200). It was shown in California (Tr. 200). In that picture the commentator described the Stork Club as "the best and most publicized night club in the entire world" (Tr. 150).

As a result of the appellant's extensive advertising and promotional activities, as above described, it has developed a business and reputation which are truly national in scope. As found by the court, "the said plaintiff's, "The Stork Club", has acquired a widespread and valuable reputation, and has commanded and now commands patronage from visitors to New York from throughout the United States; during all of the time said business has been conducted, the same has been, and now is patronized by visitors to New York both from in and about the City of New York and from the United States at large, including the metropolitan area of San Francisco, California; during all of the said time, said business has been and now is patronized by persons of prominence in social, literary, artistic, professional, commercial, official and cinematic circles; on occasions said place of business during all of said time has been, and now is, referred to and written of in various newspapers, magazines and periodicals of local and national circulation; that by reason of the foregoing, the said business of plaintiff conducted and operated under the name "The Stork Club" and with the aforesaid insignia used in conjunction therewith, became and now is known to many persons in and about the City and County of San Francisco, State of California, as a club in New York."

In short, the appellant's business "is known all over the world as the Stork Club" (Tr. 63). Its chief asset is its good will, which is worth more than the tangible assets (Tr. 166-167). At least 70 per cent of its business is "out of town" business, and most of the New York City business consists of celebrities who "come in every night, which makes us sort of a show for the out of town people" (Tr. 168-169). The Stork Club receives patronage from the entire United States, and from outside the United States, and it strives to increase its patronage from the state of California (Tr. 169).

Appellees' Business.

As found by the court, "The defendants on or about April 6, 1945, began the operation of, and continuously since said date have been operating and conducting a small bar, tavern and cocktail lounge at No. 200 Hyde Street, in the City and County of San Francisco, State of California, under the name of 'Stork Club' and at all of said times have been and now are using said name in the conduct of said business" (Tr. 39). The establishment has about ten stools at the bar (Tr. 266), and there are a few tables (Tr. 268); it will accommodate about 50 people (Tr. 272); it has about four steady employees (Tr. 271); it serves only such food as is necessary to comply with the regulations of the State Board of Equalization (Tr. 270); and there is no dancing (Tr. 271), although the match pads distributed by the appellees for advertising purposes depict a dancing couple (Tr. 254).

But the appellees have furnished entertainment from time to time, consisting of a pianist; and for about a month after they took over the establishment they furnished a three-piece orchestra. This orchestra had previously been employed by the appellees' predecessor for a period of two years (Tr. 257, 271). They have advertised a pianist (Tr. 248-250); and they have displayed a panel, suspended from the marquee and extending all around its three sides, with the word "ENTERTAINMENT" emblazoned on each of the three sides (Tr. 257-261). The napkins used in the appellees' establishment advertised the "Finest Liquors Expertly Blended" and "Entertainment" (Tr. 246).

Priority of Appellant's Adoption and Use of its Trade Name and Insignia.

As found by the court, the appellant has continuously been using its trade name, "The Stork Club", since August 15, 1934 (Tr. 38), and likewise since that date has continuously been using in conjunction with such trade name, an insignia consisting of a stork standing on one leg and wearing a high hat and monocle (Tr. 40).

In addition to these findings, the record shows without contradiction that the trade name, "The Stork Club", was used prior to August 15, 1934, and commencing in 1929, by two predecessors of the appellant corporation—namely, Stork Restaurant Corporation and 53 East 51st Street Corporation—in both of which the principal stockholder was Hazel Billingsley, who is likewise the principal stockholder in the appellant

corporation (Tr. 108-110, 164-165). Prior to August 15, 1934, "The Stork Club" was located at 53 East 51st Street (Tr. 109). The trade name and good-will were included in each transfer of the assets (Tr. 109-110, 164, 165). Similarly the insignia, consisting of a stork standing on one leg and wearing a high hat and monocle, has been used consistently and continuously since August, 1934, and was used prior to that time by the appellant's predecessors (Tr. 165).

As found by the court, "the name 'Stork Club' has been used at said premises at 200 Hyde Street by the defendants herein and by the predecessor in interest of said defendants who sold said business to said defendants at all times since the 1st day of March, 1943" (Tr. 43). Prior to that date the establishment was operated under the name "Elbow Room" (Tr. 279). The appellees acquired the business on April 6, 1945 (Tr. 232).

Thus, the appellant's priority in the adoption and use of its trade name and insignia is undisputed.

Appellees' Acts of Infringement and Unfair Competition.

The appellees began operating their "Stork Club" at 200 Hyde Street, San Francisco, California, on or about April 6, 1945, and, as found by the court, "at all of said times have been and are now using said name in the conduct of said business" (Tr. 39). The court, found, further, that "The defendants at all of said times have displayed and maintained, and now are displaying and maintaining a sign affixed to the exterior of said place of business and containing the words 'Stork Club'"; that "said defendants at all

of said times have very slightly advertised their said business in the City and County of San Francisco under the name 'Stork Club' "; that they "have caused said business to be listed in the San Francisco telephone directory under said name and reported their business to governmental departments of the State of California and of the City and County of San Francisco as the 'Stork Club', and have obtained municipal and State licenses in and under said name" (Tr. 42).

In addition, the court found that the "defendants have not caused the aforesaid name 'Stork Club' or related insignia, as hereinabove described, to be used in or about the interior of said defendants' place of business or to be advertised or publicized to patrons therein" (Tr. 42). This finding is utterly without support in the record, and is contrary to the testimony of Nicholas M. Sahati, one of the appellees and their sole witness.

Sahati testified that "there was on the glass panel of the front door the insignia of the stork but no monocle and no top hat" (Tr. 242); and he admitted that he had this insignia removed after the institution of the suit (Tr. 242)—a fact which is not without significance. The witness admitted, also, that there had been used in the appellees' establishment paper napkins bearing the name "Stork Club" and the insignia of a stork standing on one leg and wearing a high hat (Tr. 243). One of the napkins was admitted into evidence (Tr. 245), and a photostatic copy of it appears in the transcript (Tr. 246).

The evidence shows, further, that there was an insignia woven into the carpet near the entrance to the

appellees' establishment. This insignia was a stork standing on one leg with a cane under its wing, and with a top hat and cocktail glass; it was about four square feet in size (Tr. 275). And there was an insignia on a juke box in the appellees' place of business, consisting of a stork standing on one leg, with a top hat, with a diaper in its bill, and with a young lady seated in the diaper (Tr. 276).

The appellees' distributed match pads bearing the words "The Stork Club" (Tr. 251-252, 274-275). One of such pads was admitted into evidence (Tr. 253), and a photostatic copy of it appears in the transcript (Tr. 254). Appellees' manager, who had "complete charge of the premises" (Tr. 248) put out a card advertising the nightly performance of a pianist at the "Stork Club" (Tr. 248-249). The card was admitted into evidence (Tr. 249), and a photostatic copy of it appears in the transcript (Tr. 250). There was some advertising of the appellees' "Stork Club" in magazines (Tr. 247-248).

Appellees' Wilfulness and Bad Faith in Appropriating Appellant's Trade Name and Insignia.

While wilfulness or bad faith on the part of the defendant—or even knowledge of the plaintiff's prior rights—is not a necessary predicate in a suit of this kind, as will later be shown, evidence of such matters does have an important bearing upon certain issues. For this reason, and while the court made no finding on the subject, we point out that the record here shows conclusively that the appellees, at the time they acquired the San Francisco establishment in 1943, had

knowledge of the appellant's prior adoption and use of the name "The Stork Club". Nicholas M. Sahati, one of the appellees, who by his own admission was the "guiding spirit" (Tr. 233) in the purchase and operation of the San Francisco establishment, testified twice that he had heard of the New York Stork Club, although he hastened to add on each occasion and without being questioned on the subject, that he "had no idea of what it embraced or was like", and that he had given no thought to "how extensive an affair it was" (Tr. 263).

In this connection it is to be noted that Sahati was a businessman of considerable experience, being "the active manager of a number of business enterprises that we run, hotels and apartment houses and bowling alleys and the like of that; and a small restaurant at Lake Tahoe" which also "has to do with entertainment" (Tr. 233). In addition, he owned other liquor establishments (Tr. 233) and a place called the "Topper Club" (Tr. 235).

Under the circumstances, in view of the confessed knowledge on the part of this witness that at the time the appellees acquired their business the name Stork Club was already being used by the appellant, and in light of the tremendous reputation which the appellant had established through its nation-wide advertising, there can be no doubt that the appellees not only knew that the name had been used by the appellant prior to their acquisition of the San Francisco establishment, but that they knew, or should have known, that the appellant had used the name

even prior to its adoption and use by the appellees' predecessor in 1943.

It should likewise be pointed out that the appellees offered no explanation whatever in regard to their knowing appropriation of the appellant's trade designations, although Sahati was on the stand and had ample opportunity to do so. The significance of this omission will later be dealt with in the argument.

Laches.

Although laches is not a defense to a suit for injunction, as will later be shown, we shall review briefly the findings and the evidence on this subject.

As found by the court, "The name 'Stork Club' has been used at said premises at 200 Hyde Street by the defendant herein and by the predecessor in interest of said defendants who sold said business to said defendants at all times since the 1st day of March, 1943, and that the said name was publicly and openly displayed on said premises" (Tr. 43). Prior to that date the business was operated under the name "Elbow Room" (Tr. 279). The appellees have owned and operated the business since April 6, 1945 (Tr. 19-20, 232).

The record shows that as early as May 4, 1945, which was only about two years after the name "Stork Club" was first adopted and used in connection with the San Francisco establishment, and only about *one month* after the appellees took over the business, the appellant, acting through its attorneys, prepared and duly mailed a letter addressed to the

“Stork Club, 200 Hyde Street, San Francisco, California”, advising the appellees as to the appellant’s prior rights in the name “The Stork Club” and related insignia, and demanding that they discontinue their use of such name and insignia. It appears, further, that on May 15, 1945, a second letter of the same tenor was mailed to the “Stork Club, 200 Hyde Street, San Francisco, California, Attention N. Sahati, Zafer Sahati, Sally Sahati, Edmond Sahati, Alfred Ansara, and A. E. Syufy, partners”. These letters were admitted into evidence as Plaintiff’s Exhibits 68 and 69, respectively (Tr. 222-224, 226-227, 283).

Except for the above-mentioned letters of May 4 and May 15, 1945, there is no evidence as to when the appellant first had knowledge that its trade name and insignia were being used by the San Francisco establishment. The complaint was filed on February 25, 1946, or within ten months after the letters were mailed to the appellees.

SPECIFICATIONS OF ERRORS.

1. The court erred in finding that (Tr. 38) the appellant has “no right” in its trade name, “The Stork Club”, in California, and that (Tr. 39) such trade name has “no value” in California.

2. The court erred in finding that (Tr. 39) the appellees’ use of the name “Stork Club” has caused “no damage or detriment” to the appellant, and that (Tr. 40) their use of such name is not deceptive.

3. The court erred in finding that (Tr. 40-43) the appellant did not demand of the appellees that they discontinue their use of the name "Stork Club" and related insignia.

4. The court erred in finding that (Tr. 42) the appellees have not displayed in or about the interior of their place of business the name "Stork Club" or any insignia similar to the appellant's insignia.

5. The court erred in finding that (Tr. 42) the appellees have never profited from the appellant's trade name and insignia.

6. The court erred in finding that (Tr. 42-43) no confusion has arisen or will arise in the minds of the public as to whether the appellees' business is connected or associated with, or under the supervision of, the appellant.

7. The court erred in finding that (Tr. 43) the appellant's trade name, good will, and reputation have not and will not be damaged by the conduct of the appellees.

8. The court erred in finding that (Tr. 43) the extension and development of the appellant's patronage have not and will not be interfered with by the conduct of the appellees.

9. The court erred in admitting into evidence, over objection of the appellant, the testimony of the witness Nicholas N. Sahati, one of the appellees, that the appellees were not in possession of their place of business on May 4, 1945, and on May 15, 1945 (Tr. 264-266).

10. The court erred in finding that (Tr. 43) the appellant has been guilty of laches.

11. The court erred in failing and refusing to adopt the appellant's proposed amendments, deletions and additions to the Findings of Fact (Tr. 26-35), and its proposed deletions and additions to the Conclusions of Law (Tr. 35-37).

12. The court erred in concluding that (Tr. 44) the appellant was not entitled to an injunction as prayed for in the complaint.

13. The judgment is contrary to law.

SUMMARY OF ARGUMENT.

The appellant is the owner of a highly distinctive trade name, "The Stork Club", and an equally distinctive trade insignia, consisting of a stork standing on one leg and wearing a high hat and monocle. These valuable trade designations have been used by the appellant continuously since 1934 in reference to its cafe and night club in New York City. Through an extensive and costly advertising and promotional campaign, conducted for a period of more than ten years, and utilizing such media as newspapers, magazines, books, radio, motion pictures, and the mails, and likewise involving the nation-wide distribution of expensive gift and souvenir items, the appellant's trade name and insignia have acquired a special significance or secondary meaning, and throughout the United States have come to signify but one thing—namely, the appellant's cafe and night club in New York.

In 1943, or nine years after the appellant first adopted and used its distinctive designations, the appellees' predecessor adopted the same name and insignia in reference to the San Francisco establishment later acquired by the appellees in 1945. At the time they purchased this establishment the appellees knew that the appellant had prior rights to the name, "The Stork Club", and the related insignia, but, nevertheless, they wilfully appropriated the same trade designations to their own use and benefit. Their failure to offer any explanation whatever for such conduct indicates that their sole purpose was to trade upon the appellant's good will and reputation and to employ the same to their commercial advantage in order to attract patronage to their place of business; and this obvious motive is, in itself, compelling evidence that the use of the appellant's name and insignia would tend to cause confusion in the public mind by inducing the belief that the appellees' business was in some way associated or connected with that of the appellant, or that it was sponsored or approved by the appellant.

Not only did the appellees deliberately use—and conjunctively—a trade name and insignia which were confusingly similar to the appellant's distinctive designations—but they used them in the same general class of business as that in which the appellant was engaged, and they used them in an area which, by means of the nation-wide publicity campaign designed expressly to achieve such a result, has become an important part of the appellant's market area

from which it draws patronage and custom. The appellees' use of the appellant's designations in such manner is further evidence that the public was likely to confuse the appellees' business with that of the appellant, and it clearly entitles the appellant to the protection of its valuable trade designations in reference to the appellees' business and the California market area. In light of the undisputed evidence and the established legal norms, the trial court's findings and conclusions that there was no confusion, or likelihood of confusion in this case, and that the appellees' conduct did not constitute unfair competition, are clearly erroneous and must be set aside.

Moreover, the appellant has exclusive property rights in its trade name and insignia of inestimable value, in the State of California, and the use of such trade designations by the appellees causes great and irreparable damage and injury to such property rights by diluting and weakening the distinctive character of such trade designations and destroying their value as promotional and advertising devices. The conduct of the appellees, therefore, constituted an invasion and infringement of appellant's property rights in its trade name and insignia and should be enjoined.

And, finally, the trial court's finding that injunctive relief in this case was barred by laches on the part of the appellant is clearly erroneous, inasmuch as such a defense is unavailing in a suit for injunction, and since, in any event, the appellant, upon the undisputed evidence, was not guilty of laches.

ARGUMENT.

I. PRELIMINARY MATTERS.

1. The theories of the case.

The complaint is in two counts. The first count alleges infringement of the appellant's exclusive property right in the trade name, "The Stork Club"; the second alleges acts of "unfair competition" affecting the appellant's trade name, and also its insignia, consisting of a stork standing on one leg and wearing a high hat and monocle. The second count is somewhat more detailed in its allegations concerning the nature and extent of the appellant's business and reputation, the appellees' unlawful practices, and the resulting damage.

The phrase "unfair competition", as applied to the second count, is used merely as a convenient label. As pointed out by Judge Yankwich in *Brooks Bros. v. Brooks Clothing of California*² (1945), 60 F. Supp. 442, 447, 451, such phrase in its literal meaning, is too narrow, since many "unfair" business practices are actionable even though there be no "competition" between the parties. Whether it be called a count for "unfair competition", for "unfair trade practices", or, indeed, for "infringement", the second count is essentially founded in tort "for invasion of the interest in commercial advantages by unprivileged trade practices" (*Rest., Torts*, vol. 3, p. 538), and is based upon the appellees' wrongful conduct in relation to the appellant's trade name and insignia.

²The opinion of Judge Yankwich was affirmed and "adopted" by this Court in 158 F. (2d) 798 (1947).

The first count is based upon the theory that the appellant has an exclusive property right in its trade name in California, and that the acts of the appellees causes irreparable injury and damage to such property. For the sake of clarity, the discussion of this theory will follow that relating to unfair competition.

2. The governing law.

The substantive issues in this case must be determined in accordance with state law. *Erie R. Co. v. Tompkins* (1938), 304 U.S. 64, 58 S. Ct. 817, 82 L. Ed. 1188. The doctrine of the *Erie R. Co.* case has, of course, been extended to suits in equity. *West v. American Telephone & Telegraph Co.* (1940), 311 U.S. 223, 61 S. Ct. 179, 85 L. Ed. 139; *Guaranty Trust Co. v. York* (1944), 326 U.S. 99, 65 S. Ct. 1464, 89 L. Ed. 2079, 160 A.L.R. 1231. And the federal courts will likewise follow the state conflict of laws rules in the event they are applicable. *Klaxon Co. v. Stentor Electric Mfg. Co.* (1941), 313 U.S. 487, 61 S. Ct. 1020, 85 L. Ed. 1477. Since the present case does not involve a technical trademark (that is, a mark which is affixed to goods), much less a trademark which has been registered under the Federal Trademark Act (33 Stat. 724, 15 U.S.C.A. sec. 81 et seq.), and since the jurisdiction of the trial court was grounded solely upon diversity of citizenship and the required jurisdictional amount, there can be no doubt³ that state law is controlling. *Pechner Lozenge*

³We have here no such problem as was presented, for example, in *Philco Corp. v. Phillips Mfg. Co.* (1943), 7 Cir., 133 F. (2d) 663, in which it was held that the federal Trademark Act is in

Co. v. National Candy Co. (1942), 315 U.S. 666, 62 S. Ct. 853, 86 L. Ed. 1103; *Adam Hat Stores v. Lefco* (1943), 3 Cir., 134 F. (2d) 101; Anno.—Trademark Questions—Governing Law, 148 A.L.R. 154 ff.; *Callman, Unfair Competition and Trade Marks*, vol. 2, p. 1581.

It is equally clear that the state law governing this case is that of California, which is not only the situs of the suit, but is also the state in which all of the appellees' wrongful acts occurred. The relevant local law is, therefore, to be ascertained by direct reference, and resort to the state's conflict of laws rules is not necessary. *Adam Hat Stores v. Lefco*, supra, at p. 103. Any doubt which might otherwise exist on this score is completely dissipated by Sections 14400 and 14402, California Business and Professions Code,⁴ which accord to the owner of a trade name first adopted and used "beyond the limits of this State" the same rights and remedies as are granted the owner of a trade name first adopted and used within the state.

certain respects substantive in nature, and that in such respects it raises questions of federal, as distinguished from state law. In this connection see also, Zlinkhoff, *Eric v. Tompkins: In Relation to the Law of Trade-Marks and Unfair Competition* (1942), 42 Col. L. Rev. 955.

⁴The Code provisions are as follows:

"Sec. 14400: *Ownership.* Any person who has first adopted and used a trade name, whether within or beyond the limits of this State, is its original owner." (Added by Stats. 1941, chap. 59, Sec. 1, p. 709.)

"Sec. 14402: *Remedy for violation of rights.* Any court of competent jurisdiction may restrain, by injunction, any use of trade names in violation of the rights defined in this chapter." (Added by Stats. 1941, chap. 59, Sec. 1, p. 710.)

While main reliance in this brief will necessarily be placed upon the law of California, both statutory and decisional (including decisions of the federal courts applying the state law), reference will be made, also, to other cases and authorities where they are not inconsistent with the law of California. It may be said, in passing, that the appellant's right to an injunction is supported not only by the declared law of California, but likewise by the weight of authority elsewhere.

3. The weight to be accorded the trial court's findings.

The findings of the trial court "shall not be set aside unless clearly erroneous, and due regard shall be given the opportunity of the trial court to judge of the credibility of the witnesses." Rule 52 (a), F.R.C.P. But "to the extent that they are unsupported by substantial evidence, or are clearly against the weight of the evidence, or were induced by an erroneous view of the law, they are not binding upon this Court". *Aetna Life Ins. Co. v. Kepler* (1941), 8 Cir., 116 F. (2d) 1, 5; see also, *Sanders v. Leech* (1946), 5 Cir., 158 F. (2d) 486; *United States v. Still* (1946), 4 Cir., 120 F. (2d) 876, 878, cert. den. 314, U.S. 671, 62 S. Ct. 135, 86 L. Ed. 537; *Campana Corporation v. Harrison* (1940), 7 Cir., 114 F. (2d) 400, 405-406.

In the present case, as we have seen, there is no substantial conflict in the evidence. The only findings of the trial court which are questioned on this appeal are either unsupported by any evidence whatever, or

were induced by erroneous views of the law. Therefore, they are not binding on this Court and should be set aside.

Moreover, all of the testimony relating to the appellant's adoption and use of its trade name and insignia, and the nature and scope of its business and reputation, was introduced in the form of depositions. To the extent that the trial court's findings may be inconsistent with such evidence, they will be given but "slight" weight. *Equitable Life Assur. Soc. v. Irelan* (1941), 9 Cir., 123 F. (2d) 462, 464. As was said in that case, "This court is in as good a position as the trial court was to appraise the evidence and we have the burden of doing that". See also, *Smith v. Royal Ins. Co.* (1942), 9 Cir., 125 F. (2d) 222, 224, cert. den. 316 U.S. 695, 62 S. Ct. 1291, 86 L. Ed. 1765.

II. THE APPELLANT IS ENTITLED TO AN INJUNCTION UPON THE THEORY OF UNFAIR COMPETITION.

1. What constitutes "unfair competition"—in general.

In drawing the line between commercial practices which will be enjoined as "unfair" and those which will not, the courts have not always agreed. This lack of harmony in the case law has resulted in large measure from the fact that "the scope of liability in this field is constantly expanding. This is due partly to the flexibility and breadth of equitable relief and partly to changing methods of business and changing standards of commercial morality." *Rest., Torts*, vol. 3, p. 538.

Thus, there appears to be less conflict among the modern cases than there is between them and the older decisions. And this has led the courts to place greater emphasis upon the more recent cases. Hence the oft-quoted remark of the Eighth Circuit Court of Appeals in the *Philco* case, *supra*, at p. 672, that "a 1905 restatement of State common law rules governing the use of trade-marks may not furnish an adequate answer to the trade-mark problems in 1943."

While the law in this field is by no means static,⁵ certain principles have emerged as to which there can be no dispute. In postulating these general rules and definitions, we find it convenient to draw upon the Restatement of Torts,⁶ with the *caveat* that the Restatement uses the term "infringement" in its broad non-technical sense.

As in the case of a technical trade-mark, which must be affixed to goods, and as to which exclusive rights may be created merely by prior adoption and use, a trade name or insignia is entitled to protection

⁵See, Schechter, the Rational Basis of Trade-Mark Protection (1927), 40 Harv. L. Rev. 813; Schechter, Fog and Fiction in Trade-Mark Protection (1936), 36 Col. L. Rev. 60; Chafee, Unfair Competition (1940), 53 Harv. L. Rev. 1289; Handler and Pickett, Trade Marks and Trade Names—An Analysis and Synthesis (1930), 30 Col. L. Rev. 168.

⁶In this we follow the example set by Judge Yankwich in *Brooks Bros. v. Brooks Clothing of California*, *supra*, who confessed his "bewilderment resulting from an attempt to reconcile the large number of state decisions, or even the large number by federal district and circuit court decisions upon any one topic pertaining to this subject" (p. 448).

It is to be noted, also, that the *Restatement* was quoted extensively by the Supreme Court of California in the recent case of *Eastern-Columbia, Inc. v. Waldman*, decided June 13, 1947, 30 A. C. 269, 273-274.

when it has become known in the market as “the name for goods or services coming from or through a particular source or the name for a particular business.” *Rest., Torts*, vol. 3, p. 559.

Thus, a trade name is defined as “any designation which (a) is adopted and used by a person to denominate goods which he markets or services which he renders or a business which he conducts, or has come to be so used by others, and (b) through its association with such goods, services or business, has acquired a special significance as the name thereof * * *” *Rest., Torts*, vol. 3, sec. 716, p. 558. The “designation” may be either a name or an insignia. The present case, of course, involves both.

The term “special significance” embraces the concept of “secondary meaning”, which is the term commonly used in the case law. *Rest., Torts*, vol. 3, p. 560. Actually, the phrase “secondary meaning” does not mean “a subordinate and rare significance”; it means, rather, “a subsequent significance added to the previous meaning of the designation and becoming in the market its usual and primary significance.” *Rest., Torts*, vol. 3, p. 560. As a California court has said, the secondary meaning “submerges the primary meaning * * * and the new meaning survives as the identification, in the market, of a product and its source.” *Winfield v. Charles*, decided November 29, 1946, 77 A.C.A. 80. See also, *Eastern-Columbia, Inc. v. Waldman*, supra, note 6; *Callman*, supra, p. 1012 ff. Obviously, the more distinctive the designation, the more readily will it acquire a special significance.

As to the elements of infringement, "One infringes another's trade name, if (a) without a privilege to do so, he uses in his business, in the manner of a trade mark or trade name, a designation which is identical with or confusingly similar to the other's trade name, though he does not use the designation for the purpose of deception, and (b) the other's interest in his trade name is protected with reference to (i) the goods, services or business in connection with which the actor uses his designation, and (ii) the markets in which the actor uses his designation". *Rest., Torts*, vol. 3, sec. 717, p. 562.

As the court said in the *Brooks Bros.* case, *supra*, at p. 450, the liability thus imposed protects "a person against harm to his business which the actor *might* cause by misleading prospective purchasers into identifying the actor's goods, services *or business* with those of the other. The ultimate issue in infringement cases is the *likelihood* that prospective purchasers will be so misled'" (emphasis ours). See also, *Rest., Torts*, vol. 3, p. 567.

It should be emphasized that actionable confusion in the present case does not rest upon the proposition that the public is apt to mistake the appellees' *place* of business for the appellant's establishment. The gravamen of this case is the likelihood, as we shall show, that the public will be led to believe that the appellees' business is in some way associated or connected with that of the appellant, or is under the supervision or sponsorship of the appellant—in other words, the likelihood that the two businesses will "be regarded by prospective purchasers as associated with

the *source* identified by the trade mark or trade name" (*Rest., Torts*, vol. 3, sec. 730, p. 596; emphasis ours).

The "confusion of source" concept is now the accepted doctrine in this field of the law, not only generally (*Brooks Bros. v. Brooks Clothing of California*, supra; Anno.—Infringement of Trademark or Tradename, 148 A. L. R. 12, 53 ff., and cases therein cited; *Callman*, supra, vol. 2, pp. 116-1121), but in California as well. See, for example, *Eastern-Columbia, Inc. v. Waldman*, supra, note 6; *Winfield v. Charles*, supra; *Jackman v. Mau*, decided February 21, 1947, 78 A. C. A. 258; *Physicians Electric Service Corp. v. Adams*, decided May 8, 1947, 79 A.C.A. 675; *Academy of Motion Picture Arts & Sciences v. Benson* (1940), 15 C. (2d) 685; *Law v. Crist* (1940), 41 C. A. (2d) 862; *Carolina Pines, Inc. v. Catalina Pines* (1932), 128 C. A. 84; *Evans v. Shockley* (1922), 58 C. A. 427; *Wood v. Peffer* (1942), 55 C. A. (2d) 116.

The particular elements embodied in the above definition of infringement will be discussed separately. It should be borne in mind, however, that they are all mere facets of the central issue of confusion. Thus, whether there is a likelihood of confusion depends in part upon (1) the similarity between the appellant's trade name and insignia and those of the appellees, (2) the nature of the businesses involved, and (3) the geographical relationship between the appellant's business activities and those of the appellees.

In addition, the ultimate issue of confusion is affected by two additional considerations which have

an important bearing upon the present case—namely, (1) the fact that the appellant's trade name and insignia are highly distinctive, and (2) the fact that they were appropriated by the appellees with knowledge that they were already being used in connection with the appellant's business. These factors will likewise be treated separately, although they pervade the entire case.

2. The appellant has acquired a special significance or secondary meaning in its trade name and insignia.

That the name, "The Stork Club", and its related insignia have long since acquired a special significance or secondary meaning is not open to dispute. The trial court, in effect, so found, and the evidence on the subject is overwhelming. See Summary of Evidence, *supra*, under the headings "Priority of Appellant's Adoption and Use of its Trade Name and Insignia" and "Nature and Extent of Appellant's Business and Reputation."

The court found, to be sure, that "the plaintiff's trade name 'The Stork Club' has no value in the State of California" (Tr. 39), but this finding seemingly should be construed as meaning merely that the appellant was not entitled to protection of its trade name and insignia in California; and, so construed, it will be dealt with hereinafter. Otherwise the finding would be in conflict with others, such as number IX (Tr. 41), in which the court found, *inter alia*, that the appellant's name has acquired a "widespread and valuable reputation" throughout the United States; that the appellant's business has always drawn patronage "both from in and about the City of New

York and from the United States at large, including the metropolitan area of San Francisco, California"; and that the appellant's name and insignia "became and now is known to many persons in and about the City and County of San Francisco, State of California, as a club in New York" (emphasis ours).

It thus appears that the appellant's trade name and insignia have become the hallmarks of its business throughout the United States, including California and, specifically, the San Francisco metropolitan area, and that the appellant actually draws patronage from all such areas. The importance of the court's finding in this regard will become increasingly evident when we later discuss the question of confusion. However, it should be observed at this point that the denial of injunctive relief in this case, in the face of the court's own findings regarding the value and reputation of the appellant's trade designations throughout the United States, and the mass of undisputed evidence in support of such findings, indicates that the court was not fully cognizant of the legal principles applicable to this type of case.

3. The trade name and insignia used by the appellees are confusingly similar to the appellant's designations.

In considering the issue of confusion, we are confronted at the outset with the bald fact that with "all the rest of infinity" open to them (*Coca-Cola v. Old Dominion Beverage Corp.* (1921), 4 Cir., 271 F. 600, 604, cert. den. 256 U.S. 703, 41 S. Ct. 624, 65 L. Ed. 1179), the appellees adopted and used a trade name which is virtually identical with the appellant's

highly distinctive name, and, in addition, they employed trade insignias which are substantially similar to the appellant's highly distinctive insignia. Under such circumstances, it seems indisputable that prospective purchasers are likely to regard such designations as indicating the source identified by the appellant's designations. *Rest., Torts*, vol. 3, sec. 728, p. 590.

The evidence in this regard may be charted as follows:

<u>Appellant</u>	<u>Appellees</u>
<i>Trade name</i>	
“The Stork Club”	“Stork Club” (marquee)
	“Stork Club” (telephone directory)
	“Stork Club” (state and municipal licenses)
	“Stork Club” (napkins)
	“Stork Club” (card advertising pianist)
	“The Stork Club” (match pads)
<i>Insignia</i>	
Stork standing on one leg, wearing high hat and monocle	Stork, with no top hat or monocle (glass panel on front door)
	Stork standing on one leg, wearing high hat (napkins)
	Stork standing on one leg, with cane under wing, and with top hat and cocktail glass (carpet)
	Stork standing on one leg, with top hat, with diaper in bill, and with young lady seated in diaper (jukebox)

While a vis-à-vis comparison of the names and insignias is not the sole test in determining the question of confusing similarity, since in the usual situation "the buyer viewing the mark of the defendant must rely upon his memory of the plaintiff's mark" (*Callman*, supra, at p. 1131), it is clear that by any standard of comparison the designations used by the appellees are confusingly similar to those of the appellant. A brief reference to the California cases is sufficient to dispel any doubt which may exist on this score.⁷

In regard to the similarity of insignias, it is to be noted, parenthetically, that according to the trial court's finding, no such insignias were used by the appellees. But this finding, as we have already shown in the above Summary of Evidence, under the head-

⁷As to trade names, the California courts have found confusing similarity in the following situations, the name infringed being numbered "(1)" and the infringing name, "(2)": (1) Eastern-Columbia, (2) Western-Columbia, *Eastern-Columbia, Inc. v. Waldman*, supra; (1) Jackman, (2) Jackman, *Jackman v. Mau*, supra; (1) Carolina Pines, (2) Catalina Pines, *Carolina Pines, Inc. v. Catalina Pines*, supra; (1) Old Homestead, (2) New Homestead, *Banzhof v. Chase* (1907), 150 C. 180; (1) Merton, (2) Morton's, *Morton v. Morton* (1905), 148 C. 142; (1) The Academy, The Motion Picture Academy, (2) The Hollywood Motion Picture Academy, *Academy of Motion Picture Arts & Sciences v. Benson*, supra; (1) Active Transfer Company, Active Parcel Delivery, (2) Action Transfer Company, Action Parcel Delivery, *Jaynes v. Weickman* (1921), 55 C. A. 557; (1) Adolph M. Schwarz, Commercial Collections, everywhere, (2) Adolph M. Schwarz, Jr., Commercial Collections, anywhere, *Schwarz v. Schwarz* (1928), 93 C. A. 252; (1) Cyclops Machine Works, (2) Cyclops Iron Works, *Hainque v. Cyclops Iron Works* (1902), 136 C. 351; (1) Mechanics Store, (2) Mechanical Store, *Weinstock, Lubin & Co. v. Marks* (1895), 109 C. 529.

As to insignias, see *Sun-Maid Raisin Growers v. Mosesian* (1927), 84 C. A. 485, 495; *Jackman v. Mau*, supra, at p. 263; *Academy of Motion Picture Arts & Sciences v. Benson*, supra, at p. 692.

ing "Appellees' Acts of Infringement and Unfair Competition", has no support whatever in the record and is contrary to the undisputed evidence.

The similarity between the designations used by the appellees and those of the appellant is, of course, a vital factor in resolving the ultimate issue of confusion. Here, the importance of such factor is magnified by the fact that the appellees were not content merely to use the appellant's trade name; they used *both* the name and the insignia.

Furthermore, the likelihood of confusion was greatly accentuated by the fact that the appellant's trade name and insignia are highly distinctive and, therefore, would readily be regarded by the public as indicating the "source" of any business which might adopt them. And when further consideration is given to the fact that the appellant's trade designations were wilfully appropriated by the appellees, without explanation, and presumably for the sole purpose of trading upon the appellant's good will and reputation, there would seem to be no doubt whatever that there was a likelihood of confusion in this case and that the appellant, accordingly, was entitled to an injunction.

The above factors—namely, the distinctiveness of the appellant's trade designations, and the failure of the appellees to explain or justify their knowing appropriation of them, are of sufficient importance that they will now be given special consideration.

4. The appellant's trade name and insignia are highly distinctive and are, therefore, entitled to the utmost protection.

It requires no argument to show that the appellant's trade name and insignia are highly unique, arbitrary, and fanciful. The test, of course, is not whether the word "stork" is to be found in the dictionary, but whether the dictionary gives it the meaning it has when applied to the appellant's cafe and night club in New York. As stated in *Philadelphia Storage Battery Co. v. Mindlin* (1937), 163 Misc. 52, 296 N. Y. S. 176, 181-182:

"The fear is sometimes expressed that the extension of protection may foster monopoly, not merely of language but of trade. The fear is groundless. He who coins a trade symbol adds rather than detracts from the language. Even when a term in a dictionary is used in an arbitrary manner, the language is not impoverished. The term may still be used in its accepted sense; what equity prevents is the appropriation of the new layers of meaning that have been added by the plaintiff. The rights of the first user can be sustained to the extent that they do not unduly handicap others in the honest conduct of their business. New competition and enterprise 'must not be throttled, but the late comer should be compelled to rely upon his own ingenuity, rather than misrepresentation and misappropriation for the creation of his market. This much at least is demanded by the most elementary notions of honesty.' Handler, *Unfair Competition*, 21 *Iowa Law Review*, 175, 186. Blatant imitation should not be recognized by the judicial condonation of practices which violate the fundamental precepts of fair business dealing."

It is obvious that the "more distinctive the trade-mark is, the greater its influence in stimulating sales, its hold on the memory of purchasers and the likelihood of associating similar designations on other goods with the same source." *Rest., Torts*, vol. 3, p. 602. Distinctive designations have thus come to be regarded as "strong" marks or names, and non-distinctive designations as "weak". And common generic words, such as "Ivory" (soap) or "Blue Goose" (fruit), have often been recognized as "strong". See *Callman*, *supra*, p. 1226 ff.

Realizing that highly distinctive designations, unless closely guarded, will lose their character and their advertising value, the courts have been careful to protect them against gradual encroachment. As said in *Arrow Distilleries v. Globe Brewing Co.* (1941), 4 Cir., 117 F. (2d) 347, 351:

"* * * the rule that coined or fanciful marks or names should be given a much broader degree of protection than words in common use is sound, for it recognizes not only the orthodox basis of the law of trade-marks that the sale of the goods of one manufacturer or vendor as those of another should be prevented, but also the fact that in modern business the trade-mark performs the added function of an advertising device, whose value may be injured or destroyed unless protected by the courts. Schechter, *The Rational Basis of Trade Mark Protection*, 40 *Harvard Law Review* 813; *Restatement of Torts*, sec. 715 (b)."

In *Lady Esther v. Lady Esther Corset Shoppe* (1943), 317 Ill. App. 451, 46 N. E. (2d) 165, 148

A. L. R. 6, which involved the distinctive name "Lady Esther" as applied to the plaintiff's cosmetics, the court said (p. 11):

"In the instant case we think it clear that the public might be deceived into thinking there was some connection between the defendant and the plaintiff companies. *And the good-will of plaintiff, which it had built up at great expense over a period of years, would be whittled away. Courts of equity ought not to be so feeble as to be unable to prevent this*" (emphasis ours).

As the Court observed in *Cleo Syrup Corp. v. Coca-Cola Co.* (1943), 8 Cir., 139 F. (2d) 416, 417; 150 A. L. R. 1056, cert. den. 321 U.S. 781, 64 S. Ct. 638, 88 L. Ed. 1074:

" * * * There is no merit in the contention that a court of equity will not afford protection to the plaintiff's trademark *or prevent its good will from being nibbled away by unfair competitors*" (emphasis ours).

We need not multiply the authorities, except to point out that the California courts are in accord. For example, in *Katschinski v. Keller* (1920), 49 C. A. 406, the word "Philadelphia" was held to be "purely arbitrary and fanciful" as applied to a retail shoe store; in *Hall v. Holstrom* (1930), 106 C. A. 563, the name "The White Spot", as applied to a restaurant, was found by the trial court to be "purely and entirely fanciful and artificial", and such finding was not questioned on appeal; and finally, in the recent case of *Eastern-Columbia, Inc. v. Waldman*, *supra*,

note 6, the words "Eastern-Columbia" were found to have acquired a "fanciful" meaning in reference to a chain store.

It should be emphasized in the present case that the name "The Stork Club" is, in itself, conspicuously distinctive. Likewise, the stork insignia is, in itself, extremely distinctive. When used together, as they are by the appellant, they become an unmistakable symbol of its business.

Not only are the appellant's trade name and insignia intrinsically "strong", but their natural attributes as trade designations have been greatly enhanced by the fact that the appellant has spent hundreds of thousands of dollars in promoting and publicizing them throughout the United States, as a result of which they have acquired a meaning and an advertising appeal which is indeed unique. As said in *Callman*, supra, at p. 1226, "a mark can be distinctive either because it is unique, that is, distinctive in itself, because it has been the subject of wide and intensive advertisement, or because of a combination of both." Here we have a combination of both.

Moreover, we are not here dealing with a name or mark such as "Blue Ribbon", or "Gold Medal", or "Acme", which has been used in a variety of ways in the market and has thereby been weakened as a trade or advertising device. Obviously, the "greater the number of identical or more or less similar trade-marks already in use on different kinds of goods, the

less is the likelihood of confusion * * *.” *Rest., Torts*, vol. 3, p. 596. We are dealing with designations which are understood everywhere as having reference to “a club in New York”.

In short, the appellant’s business “is known all over the world as the Stork Club” (Tr. 63), and the good will which it has thus established, over a long period of time and at great expense, is worth more than its tangible assets (Tr. 166-167). The appellant is entitled to protection from the erosive “borrowing” by others of its valuable trade designations.

Although the trial court found, in effect, as we have seen, that the appellant’s trade name and insignia have acquired a special significance or secondary meaning, the court refused to adopt the appellant’s proposed finding (Tr. 34) that such designations were “purely and entirely fanciful and artificial”. It thus appears that the court, in resolving the issue of confusion, did not give sufficient weight to the fact that the appellant’s name and insignia were highly distinctive and, as such, were entitled to the fullest protection against “whittling away” or “nibbling away”, and that it did not fully recognize, as other courts have done, the familiar adage that the camel that gets his head under the flap will soon steal the whole tent.

5. The appellees' failure to "explain" their wilful appropriation of the appellant's trade name and insignia is strong evidence that they have been trading upon the appellant's good will and reputation.

Although "fraud", "bad faith", or "intent to deceive", is not a *sine qua non* in suits to enjoin unfair trade practices,⁸ the presence of such an element has a forceful bearing upon the ultimate issue of confusion. This is only natural, since "the intent to deceive gives rise to a presumption of its successful realization." *Callman*, supra, at p. 1236.

In countless cases, and in many of those cited elsewhere in this brief, the courts have been strongly influenced by the defendant's motive in adopting and using a designation similar to that of the plaintiff; and where the defendant is unable to explain or justify his conduct, the courts have properly inferred that his purpose was to trade upon the plaintiff's good will and reputation. The burden of proof is upon the defendant to negate the inference of confusion. *Time, Inc. v. Ultem Publications* (1938), 2 Cir., 96 F. (2d) 164, 165; *My-T-Fine Corporation v. Samuels*

⁸This is the settled rule, not only generally (*Rest., Torts*, sec. 717, pp. 562, 565), but in California as well. *Wood v. Peffer*, supra, at p. 124; *Hoover Co. v. Groger* (1936), 12 C. A. (2d) 417, 419; *Sun-Maid Raisin Growers v. Mosesian*, supra, at p. 497; *Dodge Stationery Co. v. Dodge* (1904), 145 C. 380, 390. As said in *Wood v. Peffer*, supra, "So far as injunctive relief is concerned, it was not necessary to prove that the conduct of defendant was fraudulent. It will be noted that while the Beechnut Packing Company case, supra, and some of the other cases, speak of 'unfair and fraudulent' competition, section 3369, supra, mentions these elements in the disjunctive, thus providing for injunctive relief where the conduct is unfair, even though there is no element of fraud." (Citing cases.)

(1934), 2 Cir., 69 F. (2d) 76; *Cleo Syrup Corp. v. Coca-Cola Co.*, supra.

And this inference is particularly strong where, as here, the plaintiff's designation is so distinctive as to defy the possibility of its innocent independent invention by the defendant. "Where a defendant selects from his 'practically unlimited field of distinctive names', a trade-mark entirely unrelated to and dissociated from his business, and the mark chosen is identical to or confusingly similar with the mark publicly associated with the plaintiff's products then it would appear indisputable that the defendant made the particular choice so as to trade upon the plaintiff's established reputation." *Callman*, supra, at p. 1245. See also, *Rest., Torts*, Vol. 3, p. 595.

In *Time, Inc. v. Ultem Publications*, supra, the plaintiff brought suit to protect its registered trademark "Life", as the title of a magazine, and to stop unfair competition in the make-up of the defendant's magazine cover. In affirming an interlocutory injunction, the court said (p. 164):

"* * * There is no suggestion that such a combination had ever appeared before the plaintiff adopted it, nor does the defendant attempt to excuse imitating it so closely. It is of course true that nobody would buy 'Movie Life', supposing it to be 'Life', but that possibility is not the only grievance of which the plaintiff may complain. Similarity of make-up usually signifies the same source; the publisher of 'Movie Life' is likely to be taken as the publisher of 'Life'; if so, the plaintiff may insist that its reputation shall be of

its own making alone. [Citing cases.] It is probably too soon to learn whether any actual confusion will result, certainly the plaintiff has not so proved that it has yet done so; but the similarity could scarcely have been accidental in origin, and the defendant refused to make any change when challenged at the very outset. Imitation may supply the place of proof; the plagiarist's motive can only be some advantage to himself, which is most likely to be, in part at any rate, the likelihood that his wares will be taken as first-comer's. *It rests with him to disprove this natural inference; until he does we may accept his own estimate of the probabilities.* While, therefore, the defendant may be able to prove upon the trial that no confusion can arise, until it does, if it wishes to use the title, 'Movie Life', it must change the color of the cover so as clearly to distinguish from that of the plaintiff." (Emphasis ours.)

In *My-T-Fine Corporation v. Samuels*, supra, in which the defendants were enjoined from imitating the make-up of a cardboard box used by the plaintiff, the court ruled that (p. 77):

"* * * The plaintiff has proved no more than that the boxes look a good deal alike, and that confusion may well arise; and were it not for the evidence of the defendants' intent to deceive and so to secure the plaintiff's customers, we should scarcely feel justified in interfering at this stage of the cause. We need not say whether that intent is always a necessary element in such causes of suit; probably it originally was in federal courts. [Citing cases.] But when it appears, we think that it has an important procedural result;

a late comer who deliberately copies the dress of his competitors already in the field, must at least prove that his effort has been futile. Prima facie the court will treat his opinion so disclosed as expert and will not assume that it was erroneous. [Citing cases.] He may indeed succeed in showing that it was; that, however bad his purpose, it will fail in execution; if he does, he will win. [Citing case.] *But such an intent raises a presumption that customers will be deceived.*" (Emphasis ours.)

In *Buckspan v. Hudson's Bay Co.* (1927), 5 Cir., 22 F. (2d) 721, 723, the court said:

"* * * In the absence of any plausible explanation of the appellant's adoption of a name so similar to that by which appellee was commonly known in Dallas, as elsewhere throughout the English-speaking part of the world, it may be inferred that the reason for so imitating appellee's name was to secure the advantages which would result from a supposed connection with a historically famous collector of and trader in furs."

In *Wall v. Rolls-Royce of America* (1925), 3 Cir., 4 F. (2d) 333, 334, the court observed that

"* * * Upon no other theory than a purposed appropriation to himself, and an intent to convey to the public a false impression of some supposed connection with the Rolls-Royce industries, can Wall's actions and advertisements be explained."

In *Socony-Vacuum Oil Co. v. Lafariere* (1944), 48 N.Y.S. (2d) 421, 422, the court pointed out that

“* * * With all the names available for an oil burner servicing business it is difficult to conceive what purpose defendant or his predecessor had in choosing ‘Standard’ to be used in connection with the words oil burner as a trade name unless it was intended to benefit from the well known name ‘Standard Oil.’”

As this Court said in *Del Monte Special Food Co. v. California Packing Corp.* (1929), 9 Cir., 34 F. (2d) 774, 775:

“* * * No motive is suggested or discernible for the use of the words ‘Del Monte Brand’ in connection with the sale of oleomargerine other than the desire and expectation of securing some benefit from the extensive advertising campaign and vast business operations of the appellee.”

In *Lou Schneider, Inc. v. Carl Gutman & Co.* (1946), D. C., S. D. N. Y., 69 F. Supp. 392, which, like the present case, involved both a name and an insignia, the court remarked that (p. 395):

“* * * Here defendant, not content with the use of ‘Bonnie Lassie’ also adopted the Scotch dancing girl as a mark. Why, out of all the many other designs it could have appropriated, it saw fit to use this one is inexplicable on any other theory than that it saw some advantage accruing to it from the publicity of plaintiff’s wares.”

And, finally in *Stork Restaurants, Inc. v. Marcus* (1941), D. C., E. D. Pa., 36 F. Supp. 90, 93, the court was impressed by the fact that with “an infinity of names and insignia, real and fanciful, from which to

choose, the defendants appropriated a designation practically identical to that of the plaintiff * * *.” The court found that the “defendant has not given a satisfactory explanation of his choice of the name ‘The Stork Club’ for his place of business” (p. 92).

It has thus been established that an intent to deceive may be inferred from the mere fact that the defendant adopts and uses a designation which is so similar to the plaintiff’s that “the similarity could scarcely have been accidental in origin” (*Time, Inc. v. Ultem Publications*, supra, at p. 164), where the defendant is able to furnish no other satisfactory explanation. In the present case the trade name and insignia used by the appellees were, as we have shown, so closely similar to, if not identical with, the appellant’s highly distinctive designations as to leave no room to doubt that they were wilfully pirated; and the record is completely void of any “explanation”, although the appellee Nicholas N. Sahati was on the stand and had every opportunity to present an explanation if any there had been.

But the present case is even stronger. The appellees not only failed to “explain” their use of the appellant’s trade name and insignia; they admitted that at the time they purchased their business in 1945 they had knowledge that the name, “The Stork Club”, was being used by the appellant. The witness Sahati, who by his own admission was the “guiding spirit” (Tr. 233) in the purchase and operation of the appellees’ business, testified twice that he had heard of the New York Stork Club, although he hastened to

add on each occasion and without being questioned on the subject, that he "had no idea of what is embraced or was like", and that he had given no thought to "how extensive an affair it was" (Tr. 263). Although the witness did not confess specific knowledge that the appellant's use was prior to that of the appellees' predecessor, who had used the name "Stork Club" since 1943, and was studiously evasive when pressed for an indication of *how long* he had known about the appellant's establishment (Tr. 263), it is clear, to say the least, that he had sufficient information to put him and the other appellees on inquiry as to such fact, and that they are charged with knowledge of the appellant's priority of use not only as to them but also as to their predecessor.

In this connection, it is to be noted that Sahati was a business man of considerable experience, being "the active manager of a number of business enterprises that we run, hotels and apartment houses and bowling alleys and the like of that; and a small restaurant at Lake Tahoe" which also "has to do with entertainment" (Tr. 233). In addition, he owned other liquor establishments (Tr. 233) and a place called the "Topper Club" (Tr. 235). Under the circumstances, and in light of the tremendous reputation which the appellant had established through its nation-wide advertising, it does not tax credulity to say that he either knew, or should have known, specifically that the appellant was using the name, "The Stork Club", even prior to 1943, the year in which the name was first used in reference to the San Francisco establishment.

It should be emphasized that the court made no finding on the question of intent, although specifically requested to do so (Tr. 28, 30). And such failure indicates that the court did not give proper weight to this aspect of the case. We submit that, under the above authorities, this Court should give full weight to the appellees' "own estimate of the probabilities". If, as they themselves presumably believed, the use of the appellant's trade name and insignia would tend to attract customers to their place of business, it seems proper to conclude that such customers would very likely believe that there was some connection between the appellee's business and that of the appellant, or that they were under the same ownership or management, or that the appellees' establishment was sponsored or approved by the appellant. The appellant was entitled to an injunction as a safeguard against the possibility of such confusion.

6. The appellant's trade name and insignia are entitled to protection in reference to the appellees' business.

Thus far we have shown that the appellant's trade name, according to the trial court's own findings, has acquired a "wide-spread and valuable reputation" throughout the United States, and that such name, and its related insignia, "became and is now known to many persons in and about the City and County of San Francisco, State of California, as a Club in New York"; that there is a striking and unmistakable similarity, if not identity, between the appellant's highly distinctive trade name and insignia and the designations employed by the appellees; and that the

failure of the appellees to explain or justify their wilful appropriation of the appellant's valuable and distinctive trade designations indicates that their sole purpose was to trade upon the appellant's good will and reputation by inducing the public to believe that there was some connection or association between their business and that of the appellant.

Under such circumstances it would seem almost self-evident that there is a likelihood, if not a certainty, of confusion and that the appellant, as a matter of law, is entitled to an injunction. When we consider the further fact that the appellees' business was within the same general class as the appellant's, there would seem to be no need to discuss the question of whether the appellant is entitled to injunctive relief in reference to the appellees' business—particularly, since the appellees themselves, by their deliberate appropriation of the appellant's trade name and insignia, presumably believed that their business was sufficiently related to the appellant's that their use of the latter's trade designations would redound to their commercial advantage. If they did not so believe, then why did they adopt the name "Stork Club" for their business? And why did they go further and adopt the stork insignia as a trade symbol? Why did they not choose some other name out of the "infinity" which was at their disposal?

Although the appellees' business was not in direct competition with the appellant's, the absence of competition confers upon them no immunity. It is clearly established by the case law that there may be a like-

lihood of confusion even though the goods or businesses involved are non-competitive. This view is based upon the practical realization that in many instances of trade name piracy the diversion of trade or custom from the owner of the trade name to the appropriator is neither the purpose nor the result. While the earlier cases usually involved competitors engaged in the same kind of business or marketing the same kind of goods, "More subtle forms of infringement developed later when trade-marks and trade names became not simply indicia of source to purchasers who cared about source, but also powerful advertising and sale factors. An attractive, reputable trade-mark or trade name could then be imitated not for the purpose of diverting trade from the person having the trade-mark or trade name to the imitator, but rather for the purpose of securing for the imitator's goods some of the good-will, advertising and sales stimulation of the trade-mark or trade name. * * *" *Rest., Torts*, vol. 3, p. 597. And where, for example, a customer, as a result of such "sales stimulation", has an unsatisfactory experience with the imitator, he may hold the owner of the trade name or mark responsible therefor. If he has previously dealt with such owner, or purchased his goods, he may transfer his allegiance to some other business or commodity; or, if he has not previously dealt with the owner of the trade name or mark, he may decline in the future to do so. What's more, he may induce others to act in the same way. Hence the court will protect the owner from the risks involved where his

trade designation is used in another business over which he has no control, even though such business is a non-competitive one.

The modern view—that there may be a likelihood of confusion even though the parties are not competing with each other in the market—is perhaps best expressed in the classic and much quoted statement of Judge Learned Hand in *Yale Electric Corporation v. Robertson* (1928), 2 Cir., 26 F. (2d) 972, 973, as follows:

“* * * The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second. This has been, and perhaps even more now is, the whole Law and Prophets on the subject, though it assumes many guises. Therefore it was at first a debatable point, whether a merchant’s good will, indicated by his mark, could extend beyond such goods as he sold. How could he lose bargains which he had no means to fill? What harm did it do a chewing gum maker to have an ironmonger use his trade-mark? The law often ignores the nicer sensibilities.

“However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner’s reputation, whose qual-

ity no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful." (Citing cases; emphasis ours.)

The cases in support of this view are legion. The "rule declared by our Ninth Circuit Court of Appeals is that competition is not necessary". *Brooks Bros. v. Brooks Clothing of California*, supra, at p. 451. See also *Del Monte Special Food Co. v. California Packing Corp.*, supra; *Horlick's Malted Milk Corp. v. Horluck's Inc.* (1932), 9 Cir., 59 F. (2d) 13; *Phillips v. The Governor & Co.* (1935), 9 Cir., 79 F. (2d) 971. This is likewise the majority rule. See Anno.—Actual competition as necessary element of trademark infringement or unfair competition, 148 A. L. R. 12, 22.

In addition to the above authorities, we need only make brief reference to the California decisions. In *Jackman v. Mau*, supra, in which the plaintiff was a wholesaler and the defendant a retailer, and the parties were admittedly not in competition with each other, the court rejected the contention that there could be no "unfair competition" in the absence of competition. The court said at p. 266:

"* * * While it is true that most of the cases dealing with unfair competition are concerned with instances in which the respective parties are

engaged in business directly competitive, nevertheless, as said in *Academy of Motion Picture Arts & Sciences v. Benson*, supra, at page 689: ‘But we perceive no distinction which, as a matter of law, should be made because of the fact that the plaintiff and defendant are engaged in noncompeting businesses.’ The true test is—has the defendant ‘adopted a name which *prima facie* is broad enough in its concept to be mistaken by the ordinary unsuspecting person for the institution created by the incorporators of the plaintiff’.”

In the *Academy* case, supra, which was decided by the Supreme Court of California, the plaintiff was a non-profit corporation organized for the purpose of advancing the art of motion pictures by conferring awards of merit, conducting research, and the like, whereas the defendant operated a school of dramatics. The opinion of the court specifically points out that the “businesses of the parties are not directly competitive”, and that by “*the use of the name Hollywood Motion Picture Academy the defendant does not take away from the plaintiff and draw to herself any business which the plaintiff otherwise would receive*” (pp. 688-689, emphasis ours). Nevertheless, the court held that upon the facts alleged in the complaint the plaintiff was entitled to an injunction “in order to prevent confusion with the institution or society represented by the plaintiff” (p. 691); and the judgment of the trial court sustaining a demurrer to the complaint was reversed.

Likewise, in *Law v. Crist*, supra, in which both parties were non-profit organizations engaged in the teaching and advancement of "theosophy", it was held that the plaintiff was entitled to an injunction against the use of its name by the defendant, despite the fact that the parties were not competing with each other for profit. See also, *Wood v. Peffer*, supra, at pp. 122-123; *Hooper v. Stone* (1921), 54 C. A. 668.

Not only is competition unnecessary, but a review of the pertinent case law discloses that the scope of protection—business-wise and commodity-wise—which the courts have accorded the owner of a trade name or insignia has continuously been expanding. Thus the courts have come to recognize that under modern methods of doing business, in which advertising plays a vital role, there is real danger that a distinctive name or insignia will, unless protected, become associated in the public mind not only with other goods or businesses of the same kind and class, but even with goods or businesses of wholly different kinds and classes. "The issue in each case is whether the goods, services, or businesses of the actor and of the other are sufficiently related so that the alleged infringement would subject the good will and reputation of the other's trade-mark or trade name to the hazards of the actor's business". *Rest., Torts*, vol. 3, p. 599.

In *Yale Electric Corporation v. Robertson*, supra, the counter-claimant was a manufacturer of locks and the plaintiff was a manufacturer of flash-lights and batteries. The question, as stated by the court, was

“whether, in view of the fact that it makes no flashlights or batteries, it (the counter-claimant) may complain of the plaintiff’s use of its name”. The court’s answer to that question, which has already been quoted above, has served as a guide to many other courts. Quoting again the rule of that case (p. 973):

“* * * And so it has come to be recognized that, unless the borrower’s use is so foreign to the owner’s as to insure against any identification of the two, it is unlawful.”

In *L. E. Waterman Co. v. Gordon* (1934), 2 Cir. 72 F. (2d) 272, the plaintiff was a manufacturer of fountain pens and similar articles under the name “Waterman”, and the defendant was engaged in selling drugs and cosmetics. The defendant commenced to sell razor blades under the name “Waterman”, but was enjoined from making further sales. The court, again speaking through Judge Learned Hand, observed that (p. 273):

“It is now well settled in this country that a trade-mark protects the owner against not only its use upon the articles to which he has applied it, but upon such other goods as might naturally be supposed to come from him. [Citing cases.] There is indeed a limit; the goods on which the supposed infringer puts the mark may be too remote from any that the owner would be likely to make or sell. It would be hard, for example, for the seller of a steam shovel to find ground for complaint in the use of his trade-mark on a lip-stick. But no such difficulty arises here; razor blades are sold very generally by others than

razor blade makers, and might well be added to the repertory of a pen maker. Certainly when the infringement is so wanton, there is no reason to look nicely at the plaintiff's proofs in this regard. On the merits there can therefore be no question that the judge was right."

In *Wall v. Rolls-Royce of America, Inc.*, supra, the plaintiff, Rolls-Royce of America, was a corporation engaged in the business of making and selling automobiles, airplanes, and parts thereof, and its name had "become associated all over the world with the excellence of its product". The defendant, Wall, was engaged in the business of selling radio tubes through the mails, labelled "Rolls-Royce"; and he advertised his business as the "Rolls-Royce Tube Company". In granting an injunction, the court said (p. 334):

"* * * It is true those companies made automobiles and aeroplanes, and Wall sold radio tubes, and no one could think, when he bought a radio tube, he was buying an automobile or an aeroplane. But that is not the test and gist of this case. Electricity is one of the vital elements in automobile and aeroplane construction, and, having built up a trade-name and fame in two articles of which electrical appliances were all important factors, what would more naturally come to the mind of a man with a radio tube in his receiving set, on which was the name 'Rolls-Royce,' with nothing else to indicate its origin, than for him to suppose that the Rolls-Royce Company had extended its high grade of electric product to the new, electric-using radio art as well. And if this Rolls-Royce radio tube proved unsatisfactory, it

would sow in his mind at once an undermining and distrust of the excellence of product which the words 'Rolls-Royce' had hitherto stood for."

In *Dunhill of London, Inc. v. Dunhill Shirt Shop, Inc.* (1929), D. C., S. D. N. Y., 3 F. Supp. 487, the plaintiff was engaged in the business of selling pipes and other smokers' supplies, and the defendant operated a men's haberdashery shop. In granting an injunction, the court, relying upon the *Rolls-Royce* and *Yale Electric* cases, supra, made short shrift of the matter, saying (p. 487), "It is no answer that the defendant sells shirts, and the plaintiff, smokers' requisites."

In *Kroll Bros. v. Rolls-Royce* (1942), C. C. P. A., 126 F. (2d) 495, the appellant was engaged in the business of manufacturing baby carriages and go-carts, and the appellee was a manufacturer of automobiles, and parts thereof, and airplane engines, under the name "Rolls-Royce". The court affirmed a decision of the Commissioner of Patents denying the appellant the right to register the trademark "Krolls-Royce", upon the ground that "confusion as to origin of appellant's goods would be probable" (p. 498).

In *Cartier, Inc. v. Parfums Blanchard, Inc.* (1941), 32 N. Y. S. (2d) 15, the plaintiff was engaged in the jewelry business under the name "Cartier", but it sold, also, such articles as lipstick containers and vanities. The defendant was in the perfumery business under the name "Chartier". A temporary injunction was granted in order to protect the plaintiff and the public "in their right to fair treatment" (p. 16).

In *Socony-Vacuum Oil Co., Inc. v. Lafariere*, supra, the plaintiff was engaged in the business of selling fuel oil under the name "Standard Oil"; and, in addition, it furnished engineering advice regarding the operation of oil burners. It did not, however, repair or service such burners. The defendant was engaged in the business of repairing and servicing oil burners, under the name "Standard Oil Burner Service". In issuing a temporary injunction, the court applied the settled rule that (p. 422):

"Plaintiff * * * is entitled to be protected, not only from direct competition, but from any injury which might result to it from deception to the public through the unauthorized use of its trade-name, or a trade-name which would lead the public to believe that it was in some way connected with plaintiff."

In *Lady Esther, Limited v. Flanzbaum* (1942), D. C., R. I., 44 F. Supp. 666, the plaintiff was engaged in the business of selling cosmetics under the name "Lady Esther", and the defendant operated a retail store under the name "Lady Esther Shoe Store", selling ladies' shoes and stockings. The court held that the defendant's conduct constituted unfair competition, and granted an injunction.

In *Time, Inc. v. Barshay* (1939), D. C., S. D. N. Y., 27 F. Supp. 870, the plaintiff was the publisher of "Time" magazine, and the producer of radio broadcasts and motion pictures under the title "The March of Time". The defendant was engaged in the business of reproducing and selling phonograph records under the name "The Voice of Time". An injunction

was granted upon the theory of unfair competition, as well as for trademark infringement.

In *Golenpaul v. Rosett* (1940), 18 N. Y. S. 889, the plaintiffs were owners of the well-known radio program "Information Please", and the defendants were about to publish a magazine under the same name. The threatened publication was enjoined by the court, with the observation that (pp. 890-891):

"In earlier days it doubtless would have been held that a magazine is in competition with only another magazine and that, therefore, the use by one person of two words so commonplace as 'information' and 'please' to designate either a book or a moving picture or a verbal program carried over the air would not prevent another person from using the same words as the title of a magazine. At the present time, however, the law of 'Unfair Competition' lays stress upon the element of unfairness rather than upon the element of competition and recognizes that where any name or mark or symbol, even though consisting of commonplace words of the English language, has come to signify in the public mind the product of business of a particular individual or group of individuals, such name or mark or symbol cannot be used by another individual or group of individuals, in such way as to lead the public to believe that the product or business of the latter is the product or business of the former. Illustrations of that rule are numerous." (Citing cases.)

In *Esquire, Inc. v. Esquire Bar* (1941), D. C., S. D. Fla., 37 F. Supp. 875, the plaintiff was publisher of

the magazine "Esquire", and the defendant operated "an elaborate and decorative establishment" in Miami, Florida, selling goods, beverages, wines and liquors. The court enjoined the defendant from infringing upon the plaintiff's various trademarks and from using the name "Esquire" in any manner whatever. Upon the theory of unfair competition, the court found that (p. 876):

"* * * the defendant's use of plaintiff's name 'Esquire' is calculated to, and does, cause the public (not otherwise fully informed) to believe there is some connection between the two, either that the plaintiff owns or controls the business of the defendant, or sponsors it, or has given leave to conduct the business under some contract, and that the defendant's business has the approval of plaintiff, or that the defendant's business is in some manner related to the plaintiff's business, Esquire, Inc., and thereby constitutes unfair competition in violation of plaintiff's rights."

In *Great Atlantic & Pacific Tea Co. v. A. & P. Radio Stores* (1937), D. C., E. D. Pa., 20 F. Supp. 703, the plaintiff, owner of a nationally known chain of grocery stores, obtained an injunction restraining the defendant from using the letters "A. & P." in reference to a retail store dealing in new and used radios, washing machines, and electric refrigerators.

Similarly, in *Great Atlantic & Pacific Tea Co. v. A. & P. Cleaners & Dyers* (1934), D. C., W. D. Pa., 10 F. Supp. 450, the same plaintiff was granted injunctive relief against the operator of a cleaning and dyeing establishment.

In *Bulova Watch Co. v. Stolzberg* (1947), D. C., Mass., 69 F. Supp. 543, the court held that (p. 547):

“* * * Watches and shoes, while non-competing, are not so remote as to foreclose the possibility that they come from the same source. Defendant, by using the trade-mark on low price shoes, stands to injure plaintiff’s reputation and dilute the quality of his trade-mark. Defendant has little cause to complain since he has been riding the coattails of the plaintiff’s good will, and he had available to him a wide range of choice to name his products.”

In *Philadelphia Storage Battery v. Mindlin*, supra, the plaintiff was the manufacturer of radio sets, storage batteries, and similar products under the well-known brand “Philco”, and the defendant was engaged in the business of selling razor blades under the same name. The plaintiff had never made razor blades and there was no evidence that it ever intended to do so. The court, nevertheless, issued an injunction, saying (pp. 178-180):

“* * * But diversion of trade is not the only injury which may be caused by the second use. The normal potential expansion of the plaintiff’s business may be forestalled. * * * His reputation may be tarnished by the use of his mark upon an inferior product. * * * A false impression of a trade connection between the parties may be created, possibly subjecting the plaintiff to liability or to the embarrassments of litigation, or causing injury to his credit and financial standing. * * *”

* * * * *

“The element of the possibility of confusion at source has been stressed in various decisions. The

ambit of protection is constantly being widened. The adoption of 'Kodak' for cameras precludes its use on bicycles * * * ; 'Rolls-Royce,' the name of an automobile, may not be appropriated for radio tubes * * * ; 'Time' as a brand for bicycles may be restrained by the proprietor of a newspaper bearing that name * * * ; 'Waterman' as a mark for razor blades may be interdicted at the suit of the fountain pen company * * * ; the use of 'Dunhill' the famous brand for smokers' supplies, on shirts constitutes an infringement * * * ; the same mark may not be used on liniment and soap * * * ; automobiles and tires * * * ; food products and oleomargarine * * * ; upon electrical appliances and spark plugs * * * ; upon cooking utensils and wash boilers * * * ; or upon mineral oil and figs * * * .' (Emphasis ours.)

The above cases⁹ indicates the extent to which the courts have gone in granting injunctive relief even though the defendant was engaged in an entirely different kind or class of business. As far as we have discovered, the California courts have not yet been presented a case in which the goods or businesses in-

⁹See also, *Eastman Photo Materials Co. v. Griffiths Cycle Corp.* (1898), 15 R. P. C. 105; *Walton v. Ashton* (1902), 2 Ch. 282; *Armour & Co. v. Master Tire & Rubber Co.* (1925), D. C., S. D. Ohio, 34 F. (2d) 201; *Vogue Co. v. Thompson-Hudson Co.* (1924), 6 Cir., 300 F. 509, cert. den. 273 U. S. 701, 47 S. Ct. 98, 71 L. Ed. 850; *Duro Co. v. Duro Co.* (1928), 3 Cir., 27 F. (2d) 339; *Standard Oil Co. v. California Peach & Fig Growers* (1928), D. C., Del., 28 F. (2d) 283; *California Fruit Growers Exchange et al. v. Sun-kist Baking Co.* (1946), D. C., S. D. Ill., 68 F. Supp. 946; *Ford Motor Co. v. Ford Insecticide Corporation* (1947), D. C., E. D. Mich., 69 F. Supp. 935; *Acme Chemical Co. v. Dobkin* (1946), D. C., W. D. Pa., 68 F. Supp. 601. The latter case contains a lengthy review of pertinent decisions, including many which are not cited in this brief.

volved were as different in nature as these which have confronted other courts, but there is strong indication in the California cases that the state courts would not decline to follow the general trend of authority.

In *Academy of Motion Picture Arts & Sciences v. Benson*, supra, the parties were, of course, non-competitive, and, also, they were engaged in different enterprises; but in that case, which arose upon a demurrer to the complaint, there were allegations to the effect that the defendant "has induced certain persons and prospective students in particular into believing that her school was being conducted by or in connection with the plaintiff and that persons trained in the defendant's school had received or would receive 'Academy Awards' for meritorious performances" (pp. 687-688).

In *Jackman v. Mau*, supra, in which the parties likewise were not in competition with each other, one of them being a manufacturer and the other a retailer, they were nevertheless engaged in handling the same general class of merchandise.

It is to be noted, however, that the California courts have cited and quoted decisions, such as the *Yale Electric* case, in which the courts have protected trade names and insignias from use in connection with different goods or classes of business. Moreover, the California courts, as we have already indicated, have accepted and followed the "confusion of source" concept as the guiding principle in this field of the law. See, for example, *Eastern-Columbia, Inc. v. Wald-*

man, supra, note 6; *Winfield v. Charles*, supra; *Jackman v. Mau*, supra; *Physicians Electric Service Corp. v. Adams*, supra; *Academy of Motion Picture Arts & Sciences v. Benson*, supra; *Law v. Crist*, supra; *Carolina Pines v. Catalina Pines*, supra; *Evans v. Shockley*, supra; *Wood v. Peffer*, supra.

In light of the above authorities, the present case presents no problem. Here the parties were engaged in the same general class of business. They were both in the business of dispensing food, beverages, and entertainment. And while the appellees' business was on a smaller scale than that of the appellant, injunctive relief will not be denied merely because the businesses are different in size. *Cluett, Peabody & Co. v. Spetalink* (1938), D. C., E. D. N. Y., 29 F. Supp. 173. In that case the plaintiff, owner of the nationally known tradename and trademark "Arrow", as used in connection with men's shirts, neckties, and the like, obtained an injunction against a defendant whose operation was relatively so trivial that he "has no place of business but operates solely from his home and does not even have a telephone number" (p. 174). The court found that there was both infringement and unfair competition.

Similarly, in *Garcia v. Garcia* (1912), D. C., E. D. Wis., 197 F. 637, the court held that "the defendant's claim that his annual product is so small as not to make him a competitor of the complainants cannot be urged as supporting a right to use complainants' valuable trade-names as a means, possibly to extend

his business (p. 641). As said in *Callman*, supra, at p. 1238, "A defense that the defendant's annual production is too small to place him in competition with the plaintiff is hardly deserving of serious consideration." See also, *Acme Chemical Co. v. Dobkin*, supra, note 9, at p. 613; *Hall v. Holstrom*, supra, at p. 570.

Furthermore, the possibility that the appellees' business might appeal to a wider class of patronage than that of the appellant would not afford a sufficient basis for denying injunctive relief. In *Brooks Bros. v. Brooks Clothing of California*, supra, the defendant sought to draw "a differentiation between the businesses based upon the dissimilarity of the merchandise of the two parties and its 'appeal' to the different social groups from which they seek custom" (p. 451). The argument was flatly rejected by the court in the following language (pp. 453-454):

"You cannot divide the clothing business into categories, according to the social group on which it may depend for patronage * * * 'Pigs is pigs' * * * Ours is an unstratified society with constant mobility of persons. Absent a 'caste' system, there can be no 'caste' in merchandising * * * ."

And even assuming, finally, that the appellees' business was in a different class from that of the appellant, such fact, as we have already shown, would not preclude injunctive relief. If the purchaser of a "Rolls-Royce" radio tube would likely believe that there was some connection between its producer and a manufacturer of "Rolls-Royce" automobiles; or if the patron of an "Esquire" restaurant in Miami,

Florida, would likely believe that such business was in some way associated with the magazine of the same name; or if there is a sufficient relationship to support a likelihood of confusion as between smoking equipment and shirts, between jewelry and perfumes, between go-carts and automobiles, between cosmetics and shoes, between watches and shoes, between a radio program and a magazine, between fountain pens and razor blades, between radios and razor blades, and so on; then it would seem too clear for argument that a person patronizing or dealing with the "Stork Club" in San Francisco would likely believe that it was in some way associated or connected with, or sponsored or approved by, "The Stork Club" in New York. Especially is this true in an age of chain operations and mass distribution, where, as a matter of common knowledge, names and marks of national prominence are frequently used, through licensing and otherwise, in reference to widely different classes of goods or businesses.

Moreover, we must not lose sight of the fact that the relationship between the appellees' business and that of the appellant is merely one aspect of the central issue of confusion. Considering the fact that the appellant's trade name and insignia are highly distinctive and have acquired a unique significance in the public mind; that the appellees adopted and used both a name and an insignia so strikingly similar to, or not identical with, the appellant's designations that the public would immediately tend to associate their business with the appellant's; that the appellees them-

selves presumably believed that their business was sufficiently similar to the appellant's that they would profit by using the appellant's name and insignia; and that the two businesses were both engaged in supplying the public with food, beverages, and entertainment; then it cannot fairly be said that the likelihood, if not certainty, of confusion thus established is completely overcome and eliminated by the minor differences existing between the appellees' business and that of the appellant.

Certainly it cannot be said in this case that the appellees' use "is so foreign to the owner's as to insure against any identification of the two" (*Yale Electric Corporation v. Robertson*, supra, at p. 973). The appellant, therefore, is entitled to protection against the hazards created by the use of its trade name and insignia in reference to the appellees' business.

7. The appellant's trade name and insignia are entitled to protection in the California market area.

With a likelihood of confusion thus established, the appellant's right to injunctive relief would seem to be unaffected by the mere fact that its place of business was located in New York and the appellees' business in San Francisco. In finding that there was no likelihood of confusion, however, the trial court appears to have been influenced by the fact that "plaintiff does not have and is not interested in any place of business within the State of California" (Tr. 40). But the location of the appellant's *place* of business, as we shall show, is not the dispositive factor.

Preliminarily, it should be noted that there is no *à priori* territorial limitation to the relief which will be granted in a case of this nature, but, as has previously been indicated, the geographical relationship between the appellees' business and that of the appellant is merely a factor to be considered in connection with the ultimate issue of confusion.

It is now well established in the case law that there may be a likelihood of confusion even though the business establishments themselves are far removed from each other. In numerous cases, as we shall see, the plaintiff's place of business was far distant from the defendant's, and in some instances it was located in a foreign country; yet the courts granted injunctive relief. The question, therefore, is not whether the plaintiff maintains a *place* of business in the area of the defendant's operation, but whether the plaintiff *draws* business, or may reasonably expect to obtain business, from that area.

Thus, the rule of law applicable to this phase of the case is that the appellant is entitled to protection with reference to the territory "from which he receives or, with the probable expansion of his business, may reasonably expect to receive custom in the business in which he uses his trademark or trade name, and in territory in which a similar designation is used for the purpose of forestalling the expansion of his business." *Rest., Torts*, vol. 3, sec. 732, p. 604.

The rationale of this rule is that "If the trademark or trade name is unknown in a particular territory and there is no probability that it will become

known there, the use of a similar designation in that territory will cause no harm to the person having the trade-mark or trade name, since it cannot lead to mistaken association with that person. Such might be the case of the trade name of a grocery store in a small city in northern New York and a similar designation used for a grocery store in Brooklyn, N. Y. On the other hand, a large department store in New York City might draw trade not only from the entire State of New York but even from distant States, either by mail or through the personal shopping of frequent non-resident visitors" (*Rest., Torts, supra*, pp. 604-605; emphasis ours).

Analysis of the court decisions readily reveals that the above-mentioned rule is truly a "restatement" of the law, not only in general, but in California as well. Before reviewing the pertinent decisions, however, brief reference should be made to the *Hanover*¹⁰ and *Rectanus*¹¹ cases, which are considered landmarks in this field of the law despite the fact that they involved unusual factual situations.

In the *Hanover* case, the Supreme Court held that the Hanover Milling Co., which sold flour in Alabama and neighboring states, under the trade-mark "Tea Rose", was entitled to an injunction restraining Metcalf, a junior appropriator, from using such trade-mark in Alabama; but that Allen and Wheeler, which

¹⁰*Hanover Star Milling Co. v. Metcalf, and Allen & Wheeler Co. v. Hanover Star Milling Co.* (1916), 240 U. S. 403, 36 S. Ct. 357, 60 L. Ed. 713.

¹¹*United Drug Co. v. Rectanus Co.* (1918), 248 U. S. 90, 39 S. Ct. 48, 63 L. Ed. 141.

had never used the trade-mark "Tea Rose" in the southeastern states, was not entitled to restrain Hanover, its junior appropriator, from using such trade-mark in those states. The court's reasons for refusing to enjoin Hanover were (1) that it had adopted the name "Tea Rose" in good faith and without knowledge of the prior use by Allen & Wheeler, and (2) that the latter had never sold flour in the area occupied by Hanover and was not even known in that area. As the court said, "where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote from the other, the question of prior appropriation is legally insignificant"; but the court added the now famous exception—"unless, at least, it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like" (p. 415). The court observed further that it was "not dealing with a case where the junior appropriator of a trademark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and need pass no judgment upon such a case" (p. 420). But it confirmed the established rule that "Into whatever markets the use of a trademark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress" (pp. 415-416).

In the *Rectanus* case, the court was confronted with a situation similar to that presented in the *Hanover* case, "where the same trademark happens to be employed simultaneously by two manufacturers in different markets separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another" (p. 100). Accordingly, an injunction was denied.

As the Supreme Court itself observed in the *Hanover* case, "The case is peculiar in its facts; and we have found none precisely like it" (p. 420). The truth of that observation is plainly evident from the fact that in subsequent cases the courts have repeatedly characterized the *Hanover* and *Rectanus* cases as "exceptional"; and the so-called exceptions recognized in those cases have now become the general rule. Such cases are obviously distinguishable on their facts from the present case. Here, the appellees not only invaded a market area already occupied by the appellant, but they did so with knowledge of the appellant's prior use of its trade name and insignia.

In *Brooks Bros. v. Brooks Clothing of California*, supra, the plaintiff was a retailer of men's clothing with its principal place of business in New York City, and the defendant was engaged in a similar business under a similar name in California. The defendant commenced its business in 1924. The plaintiff, as early as 1850, "advertised goods for the California trade. It conducted, at first, sales through the mails, and from the year, 1930, through representatives, who

each year called on a selected California clientele, after announcement of the representative's coming was made through personal notice and advertisements in the newspapers. In 1939, it established sales agencies in Los Angeles and San Francisco" (p. 446).

Thus, at the time the defendant entered the field in California, in 1924, the plaintiff's business in that state was confined to the mails, and it was not until 1930, or six years after the defendant started using its name, that the plaintiff commenced to send solicitors into the state. And not until 1939 did it set up its sales agencies in Los Angeles and San Francisco.

The court held, nevertheless, that the plaintiff had established a special significance or secondary meaning in its name in California, and rejected the contention that "because the defendant, beginning in 1924, operated stores in California and used 'Brooks' in its business name, it acquired priority in the local market" (p. 461). Such an argument, said the court, "might apply to one who came later. But 'Brooks Brothers' were first in the California trade long before that date." Finding that there was "both trademark infringement and unfair competition" (p. 462), the court enjoined the defendant from using the name "Brooks".

In *R. H. Macy & Co. v. Macy's, Inc.* (1930), D. C., N. D. Okla., 39 F. (2d) 186, the plaintiff was the owner of "Macy's", the nationally known department store located in New York City, and the defendant opened a store under the same name in Tulsa, Okla-

homa. It appeared that the plaintiff had for a number of years shipped goods into Oklahoma and was known in that state as "Macy's". The court rejected the defendant's claim that "plaintiff's business did not extend into Oklahoma" (p. 187), and held that the plaintiff was entitled to an injunction.

Likewise, in *R. H. Macy & Co. v. Colorado Clothing Mfg. Co.* (1934), 10 Cir., 68 F. (2d) 690, "Macy's" obtained an injunction against a manufacturer of men's clothing operating under a similar name in Denver, Colorado. The court said (p. 692):

"We cannot escape the conclusion that to the Macy Company's customers in the states west of the Mississippi river the name has come to have a secondary meaning. If such be true, the Colorado Company had no right to use the name in any way that would be likely to confuse and deceive the purchasing public. *Hygrade Food Products Corp. v. H. D. Lee Mercantile Co.* (C. C. A. 10) 46 F. (2d) 771, 772.

Furthermore, the word Macy, being a part of the Macy Company's corporate name, not only identifies its merchandise, but the corporation itself. Persons having business relations with the Macy Company, upon learning of the 'Macy Tailoring System of America,' might well believe that the Macy Company had established a Denver branch and was engaged in selling a one-price, lowgrade line of clothing, and the business practices of the Colorado Company might reflect upon the business and corporate reputation of the Macy Company. This is an additional reason why the Macy Company was entitled to relief.

Standard Oil Co. of New Mex. v. Standard Oil Co. of Calif., supra.”

Also, in *R. H. Macy & Co. v. Macy's Drug Store*, (1936), 3 Cir., 84 F. (2d) 387, an injunction was issued restraining a drug store in Philadelphia from using the name “Macy’s”.

In *Sweet Sixteen Co. v. Sweet “16” Shop* (1926), 8 Cir., 15 F. (2d) 920, the plaintiff operated a chain of five stores, located in San Francisco, Los Angeles, Portland, and Seattle, dealing in women’s apparel, under the name “Sweet Sixteen Company”. The defendants opened a similar store in Salt Lake City under the name “Sweet ‘16’ Shop, Inc.” Prior to that time the plaintiff, in the language of the court, “had sent some 1,500 of its catalogues into Utah and to Salt Lake City; in 1922 it supplemented its catalogues by sending into that state pictures and drawings of many of the goods kept and sold by it; **and it** had sold to citizens of Utah at Salt Lake City some goods and had filled some mail orders there; in all, making some six or eight sales in one or the other of the above ways. Newspapers containing its advertisements had constantly been sold in Salt Lake City for a number of years before defendants did the act here complained of. Plaintiff avers, and the evidence discloses, its intention to establish a store in Utah, and to this end it had already taken tentative steps till the acts of the defendants forestalled it.”

Upon these facts the court held that by “prior appropriation of the field of trade”, and by “the right

to a natural expansion into such field", the plaintiff was entitled to an injunction restraining the defendants from using its trade name in Utah.

In *Phillips v. The Governor & Co.*, supra, the plaintiff, commonly known as "Hudson's Bay Company", operated about 300 retail stores and trading posts in Canada, but had no such outlets in the United States, although it did sell blankets, tobacco, and tea through jobbers in the United States. The defendant operated a retail store in Reno, Nevada, under the name "Hudson Bay Fur Co." The court held that the plaintiff was entitled to an injunction, upon the theory of unfair competition, restraining the defendant from using its trade name.

Likewise, in *Buckspan v. Hudson's Bay Co.*, supra, the plaintiff, "Hudson's Bay Company", obtained an injunction against a retailer of furs operating in Dallas, Texas, under a similar name. The evidence showed that the plaintiff had no place of business in the United States, although blankets and tobacco bearing its trade-mark were sold by retail stores in the United States and in Dallas, as were fur garments made from pelts purchased from the plaintiff at auction sales in London. The court distinguished the *Hanover* and *Rectanus* cases, and held (p. 723):

"We are not of opinion that appellee's right to relief was affected by the fact that prior to the institution of the suit it had not been a wholesale or retail seller of furs in Dallas or elsewhere in the United States. It was enough to entitle the appellee to relief that its furs and other products

marketed by it were known and dealt in in Dallas and throughout the United States, that the use by appellant of a trade-name having a deceptive similarity to that of the appellee enabled the appellant to sell his furs as those of the appellee, thereby deceiving the public, and at least in appellant's limited trade territory, making the maintenance of appellant's good name and good will and the reputation of its furs dependent to some extent upon appellant's conduct and financial responsibility and the quality of the furs sold by him." (Citing cases.)

Again, in *The Governor & Co. v. Hudson Bay Fur Co.* (1928), D. C., Minn., 33 F. (2d) 801, the "Hudson's Bay Company" was granted an injunction against a dealer in furs and blankets doing business under a similar name in Duluth, Minnesota. The court observed that (p. 802):

"* * * The mere fact that in a particular place a plaintiff, which is a well and favorably **known** trading concern, does not actually have an established place of business, will not justify another in knowingly and in bad faith adopting the name of, and thereby holding himself out as, such plaintiff, or as connected therewith, and seek to profit by inducing the public to purchase his wares through the practice of such deception. *A trading concern may have a well-earned and well-established reputation in a place where it has no established business location*" (emphasis ours.)

Later, the court cautioned that "A deliberate attempt to deceive, however, is not a necessary element of such cases" (p. 803).

In *Horlick's Malted Milk Corp. v. Horluck's*, supra, the plaintiff was the manufacturer of "Horlick's Malted Milk", which it sold in powdered form to retailers throughout the United States, and its name had come to signify the plaintiff's product and no other. The defendant corporation, the founders of which were named "Horluck", developed a chain of sandwich shops in the state of Washington, operating under the name "Horluck's Specialty Malted Milk Shops", at which it sold various food items including malted milk beverages. In making such beverages the defendant did not use the plaintiff's brand of dry malted milk. The court enjoined the defendant from using the name "Horluck's Malted Milk" in reference to its business and from using "Horluck's" or "Horlucks", in the possessive form, in advertising its malted milk, upon the ground that such uses constituted unfair competition.

In *Maison Prunier v. Prunier's Restaurant & Cafe* (1936), 159 Misc. 551, 288 N. Y. S. 529, the plaintiff operated two restaurants in Paris and one in London under the name "Maison Prunier", and the name had acquired a "world-wide reputation". In addition, the plaintiff had the intention of establishing another restaurant in New York City "at an expedient time" (p. 531). The defendants opened a similar restaurant in New York and deliberately appropriated the plaintiff's name in order to profit by its goodwill and reputation. It was their contention that "the plaintiff has no right to protection against the use of a trade-mark or trade name beyond the territory in which it oper-

ates'' (p. 535). In rejecting this argument and granting a temporary injunction, the court pointed out that the case fell within the so-called exceptions to the *Hanover* and *Rectanus* cases, and held that ''If the plaintiff as the result of its efforts has become well known in New York City, the facts may be shown at the trial'' (p. 537). The court observed further that (p. 535):

''* * * it may be suggested whether in these days of rapid and constant intercommunication between states and nations any narrow lines of demarcation should be established on one side of which should stand moral wrong with legal liability, and upon the other moral wrong with legal immunity''.

In *White Tower System v. White Castle System* (1937), 6 Cir., 90 F. (2d) 67, both parties operated hamburger stands in Detroit, employing similar names and advertising slogans, and using similar structures designed like miniature castles. Although the ''White Tower'' was first to establish a place of business in Detroit, the trial court found that the ''White Castle's'' ''food products, trade name, slogan, and style of building were known in Detroit and to the purchasing public of that city before appellant located there, and that Detroit was at that time within the normal scope of expansion of appellee's business, and that appellee then had substantial good will in that city''. This finding was based upon evidence that White Castle ''advertised in various newspapers, trade journals and over the radio, and also upon the testi-

mony of residents of Detroit who had known of the White Castle lunchrooms prior to the opening of the White Tower stands”.

In affirming the above finding, and the trial court’s injunction against the White Tower, the appellate court said:

“* * * We cannot ignore the fact that appellee established its stands along arterial highways, with the result that the traveling public carried its reputation to far distant points, and by personal recommendation its good name became an asset in Detroit. Good will may be defined as the favorable consideration shown by the purchasing public to goods known to emanate from a particular source. While its existence may be shown by proof of actual successful operation, it may also be shown by proof of the reputation which arises from such operation. *It may exist in territory where no business is done by the possessor of the good will*” (emphasis ours).

In *Brass Rail v. Ye Brass Rail of Massachusetts* (1938), D. C. Mass., 43 F. Supp. 671, the plaintiff operated a restaurant and bar, called “The Brass Rail”, in New York City. It had become “somewhat national in its reputation” and was “well known” in Boston, where the defendant conducted a similar business. The court found that there was a likelihood of confusion and a “possible, danger to reputation and credit” of the plaintiff, and, accordingly, issued an injunction restraining the defendant from using the name “Brass Rail”.

In *Bill's Gay Nineties v. Fisher* (1943), 41 N. Y. S. (2d) 234, the plaintiff operated a restaurant and night club called "Gay Nineties", in the Borough of Manhattan, New York, and the defendant opened a similar establishment under the same name in Brooklyn. While the two businesses were thus quite close to each other, and the court did not hesitate to grant the plaintiff an injunction, it appears from the opinion that the court would have enjoined the defendant even if her place of business had been far distant from the plaintiff's. The opinion points out that the plaintiff's "good will and reputation have been evidenced by hundreds of articles and notices appearing in magazines, newspapers and other publications widely distributed in New York City and elsewhere" (p. 235); that its business was further fostered by a radio program with nation-wide reception, and that "'Gay Nineties' as thus exploited and publicized has come to have a secondary meaning and to be identified in the mind of the public with the restaurant and night club of petitioner, located in the Borough of Manhattan" (p. 236). The court held:

"Nothing seems more firmly grounded today than, distance is no defense. Injunctive relief has frequently been afforded to protect restaurants and hotels although the respective establishments were distantly removed from each other. *Maison Prunier v. Pruniers Restaurant & Cafe*, 159 Misc. 551, 288 N. Y. S. 529; *Brass Rail, Inc. v. Ye Brass Rail of Mass., D. C.*, 43 F. Supp. 671; *Marsh v. Billings*, 7 Cush., Mass., 322, 54 Am. Dec. 723;

Howard v. Henriques, 5 Super. N. Y. Ct. 725, 3 Sandf. 725.

“At any rate a merchant’s protection should at least be coextensive with his market. Nims, sec. 104.”

Finally in *Stork Restaurant, Inc. v. Marcus* supra, the plaintiff (same party as the appellant here) obtained an injunction restraining the use of its trade name and insignia in reference to a similar establishment in Philadelphia. After pointing out that the likelihood of confusion is not confined to cases in which the parties are competing with each other, the court said (p. 94):

“Though there has been shown but slight confusion, it requires nothing but comparison of the names, insignia and fundamental character of business done to demonstrate that there is a likelihood of future confusion. Whether the defendant’s business will continue to differ as it now does from that of the plaintiff can only be conjectured. Whether the now patent difference will effect a depreciation of the value of the plaintiff’s name and insignia is even more conjectural. *But, I am decided that there exists a threat, if not a promise, of growing confusion to the detriment of the plaintiff’s reputation in an area from which its patrons are in part drawn.*

This latter conclusion must, of course, be tempered by an admission that the forseen confusion, if it occurs, will not damage the reputation ‘at large’ of the plaintiff. That is, any injury done to the plaintiff’s reputation will be confined to a

geographically and numerically small proportion of the plaintiff's public. However, this admission does not constrain me to view the defendant's transgressions as within the rule of *de minimis non curat lex*. In fact, reflection clarifies the possible, perhaps probable effects of licensing such an usurpation of reputation as here confronts me. *Upon the strength of a single, if sustained, precedent the plaintiff could be literally 'hemmed in' by 'Stork Clubs', until the public was so surfeited with the same that the mere mention of the name would provoke contrary reactions * * **" (emphasis ours).

Turning now to the California cases, it appears that in most of them the plaintiff maintained a place of business within the state; hence the cases, for the most part, do not involve large orbits of protection with reference to the location of the plaintiff's business establishment.¹² Nonetheless, the state court decisions leave no doubt that the law in California is in accord with the general rules established in the above-mentioned cases.

Thus, in *Derringer v. Plate* (1865), 29 C. 292, the plaintiff was the manufacturer of "Derringer" pistols, with his place of business in Philadelphia, and the defendant was engaged in the manufacture of pistols in San Francisco. The plaintiff sought an

¹²"Most unfair competition litigation takes place in the United States courts, because the parties are apt to be citizens of different states." Chafee, *Unfair Competition* (1940), 53 *Harv. L. Rev.* 1289, 1299. This observation is borne out by the fact that numerous cases in this field have reached our own Ninth Circuit Court of Appeals.

injunction to restrain the defendant from using his trademark "Derringer, Philadel." The trial court sustained a demurrer to the complaint, but this ruling was reversed by the Supreme Court of California, which held that the plaintiff had an exclusive property right in his trademark, and that (p. 295):

" * * The right is not limited in its enjoyment by territorial bounds * * * the proprietor may assert and maintain his property right wherever the common law affords remedies for wrongs. The manufacturer at Philadelphia who has adopted and uses a trade mark, has the same right of property in it at New York or San Francisco that he has at his place of manufacture"* (emphasis ours).

In *Evans v. Shockley*, supra, the plaintiffs operated tea rooms in New York, Boston, Syracuse, and Newport, Rhode Island, under the name "Mary Elizabeth's", and as a part of their business they shipped confections and pastries to "various parts of the country, including California". Such tea rooms and products had acquired "a wide reputation in this country and abroad". In addition, the plaintiffs had received an assignment of the name "Mary Elizabeth Tea Room" from a concern in Los Angeles which has registered the name with the Secretary of State. Upon objection of the plaintiffs the latter concern had ceased doing business.

The defendant operated a tea room in San Francisco under the name "Mary Elizabeth of San Francisco". The District Court of Appeals held that the

plaintiffs were entitled to an injunction upon the ground that they had acquired, by virtue of the assignment from the Los Angeles concern, an exclusive property right in the name, which the defendant had "invaded". Accordingly, the court found that it was "unnecessary to discuss the question of unfair competition".

A petition to have the cause heard by the state Supreme Court was denied, but the court, in denying the petition, rendered an opinion (58 C. A. 432) affirming the injunction upon the ground that it was "sufficiently supported by the showing made in the trial court in support of the claim of unfair competition". In its opinion, the Supreme Court stated that "we do not at this time either approve or disapprove that portion of the opinion which holds that a registered trademark or trade name can be lawfully transferred so as to separate it from the business or commodity to which it pertains". The Supreme Court thus approved, upon the theory of unfair competition, the issuance of an injunction in favor of plaintiffs whose business establishments were located entirely on the east coast.

In *Benioff v. Benioff* (1923), 64 C. A. 745, the plaintiffs operated a wholesale and retail fur business under the name "Hudson Bay Fur Company", with stores in San Francisco and Oakland, and the defendants were about to commence a similar business under the same name in Los Angeles. The plaintiffs' business was extensively advertised in newspapers

“chiefly in San Francisco and Oakland” (p. 746). In addition, circulars and catalogues, soliciting mail order business, were mailed throughout the state “as far south as Bakersfield, but no attempt was made to advertise locally in Los Angeles” (p. 746). As a result of such advertising, sales were made “to people both north and south of San Francisco, including Los Angeles and points south thereof” (p. 746), and a portion of such sales were made through the mails. The plaintiffs at one time had investigated the possibility of opening a store in Los Angeles.

The trial court found that the plaintiffs’ business was “known to all persons dealing with them and throughout the whole of the state of California as the Hudson Bay Fur Company”, and that their business “extends over the whole of the state of California” (p. 747). An injunction was granted, and on appeal the decision was affirmed, the court saying (p. 748):

“* * * In the interest of fair dealing, courts of equity will protect the person first in the field doing business under a given name to the extent necessary to prevent deceit and fraud upon his business and upon the public * * *; and this true even though, as in this case, the principal places of business are at a considerable distance from each other.”

In *Hall v. Holstrom*, *supra*, plaintiff operated three restaurants in Los Angeles under the name “The White Spot”, and the defendant opened a restaurant in Riverside under the same name. The trial court

denied injunctive relief, but the appellate court reversed the judgment, upon the ground that the plaintiff had an exclusive property right in his trade name. The court declared that (pp. 569-570):

“The appropriation of the exclusive use and registration of a suitable name, sign, design or symbol indicating the ownership of a business, although it may be operated in various units and in remotely separated cities or localities, may not be questioned. Thus it is not open to controversy that the registration or exclusive appropriation of such terms as ‘Piggly-Wiggly,’ ‘Cash and Carry,’ ‘Anna-May Tea Room,’ ‘Pig’n Whistle,’ ‘Silver Slipper Cafe,’ ‘Blue Bird Cafeteria,’ ‘Tait’s Tavern’ ‘Hudson Bay Fur Co.,’ and ‘Philadelphia Shoe Co.,’ as an indication of the owner’s place of business, will be protected by equity. *This is true, although the owners may operate a chain of similarly named restaurants or stores at various and remote places.* [Emphasis ours]. (24 Cal. Jur. 624, sec. 12; *Benioff v. Benioff*, 64 Cal. App. 745 (222 Pac. 835).) With respect to the protection of a trademark or name, section 3199 of the Political Code provides that:

‘Any person who has first adopted and used a trade-mark or name, *whether within or beyond the limits of this state*, is its original owner. Such ownership may be transferred in the same manner as personal property, and is entitled to the same protection by suits at law.’

There is, therefore, no reason why the name or design of ‘The White Spot,’ as the same was used and duly registered to designate the plaintiff’s ownership of his several restaurants, may

not be protected from infringement by injunctive relief, even though a similar business is operated by the defendant under the same name and design at Riverside which is forty miles distant from the city of Los Angeles where plaintiff's restaurants are located."

It is to be noted that the statute quoted by the court, section 3199 of the Political Code, is in substance still in effect, although it is now to be found in the Business and Professions Code. See sections 14400-14401 thereof. This statute will again be referred to later in the brief.

As has often been said, the area of protection is constantly expanding. As *Callman* says (p. 993), "Decisions of twenty years vintage proceeded on the assumption that 'with respect to the usual area of sale and distribution' a retail store, an ice cream manufacturer, a movie theatre, or a motor car service had trade circles limited to a radius of fifty or seventy miles. These cases have been widely and properly criticized, and they are probably anachronisms today."

The decisions reviewed above recognize the fact that "Modern progress in transportation and communication defies boundaries and renders static legal concepts obsolete. The Southerner who visits the North, it has been said, 'returns home and sings the praises of the article to his friends'; and thus he indirectly opens a potential market at a point far distant from that directly solicited by the manufacturer. This is more the rule than the exception. A

newspaper with nation-wide circulation spreads the fame of the mark by its advertisements. And to gourmets the world over, the name of a particular restaurant may become internationally famous without the aid of newspaper and radio." *Callman*, supra, p. 992. As the court said in the *Prunier* case, supra (p. 535), "it may be suggested whether in these days of rapid and constant intercommunication between states and nations any narrow lines of demarcation should be established on one side of which should stand moral wrong with legal liability, and upon the other moral wrong with legal immunity."

It is evident from the above cases that the courts, in California as well as elsewhere, will freely grant injunctive relief to protect trade names and insignias which, like those of the appellant, have acquired a widespread reputation; that such protection will be afforded regardless of whether the plaintiff has a place of business in the area of the defendant's operation, and regardless of whether the plaintiff deals in goods or services, or both; and that such protection will extend not only to areas from which the plaintiff draws custom, but likewise to areas from which, as a result of his good will and reputation, he may reasonably expect to receive custom.

The authorities go even further. They indicate that in some cases the plaintiff will be protected even beyond his zone of good will and reputation—that his protection will extend to the zone of "potential expansion." *Rest., Torts*, vol. 3, sec. 732, p. 604; *Callman*, supra, p. 993 ff. In the present case, however,

we are not concerned with this outer zone of protection; we are here concerned with an area which is not only a zone of good will, but is likewise an important sector of the appellant's market area, from which it already draws valued patronage and custom.

As we have already shown, the appellant's trade name and insignia have attained a national—in fact, an international—reputation, and its business is conducted on a corresponding scale. It actually draws patronage, and the trial court so found (Tr. 41) from all over the United States, including California and the metropolitan area of San Francisco. In evidence, for example, are numerous sample caption sheets and newspaper clippings containing photographs of persons from California and the San Francisco Bay area who have patronized the New York Stork Club from time to time. See above Summary of Evidence, under heading “Nature and Extent of the Appellant's Business and Reputation.” At least seventy percent of the appellant's business is drawn from areas outside New York, and most of the New York City business consists of celebrities who “come in every night, which makes us sort of a show for the out of town people” (Tr. 168-169).

The nation-wide scope of the appellant's business has resulted from its vast advertising and promotional activities which are expressly designed to achieve such a result. Through such media as gifts and souvenirs, newspapers, radio, books, magazines, motion pictures, and the mails, it has thus established not only a national zone of good will and reputation,

but also a national patronage area. And not only does it presently draw custom from the state of California, but it strives to increase its patronage from this state (Tr. 169).

The appellant occupies the field. In such case there would seem to be no doubt as to its right to injunctive relief, since, as was said in the *Gay Nineties* case, supra (p. 236), "At any rate a merchant's protection should at least be coextensive with his market."

8. The trial court's finding that there was no likelihood of confusion is clearly erroneous.

As to the findings on the issue of confusion, it should again be observed that there is no conflict in the evidence. Therefore, the question whether there was a likelihood of confusion in this case is essentially a matter of law.¹³ In the language of the Supreme Court, "The ultimate finding is a conclusion of law or at least a determination of a mixed question of law and fact. It is to be distinguished from the findings of primary, evidentiary or circumstantial facts." (*Helvering v. Tex-Penn Oil Co.* (1937), 300 U. S. 481, 491, 81 L. Ed. 755, 57 S. Ct. 569. Even treating the trial court's finding on the issue of confusion (Tr. 39-40, 42-43) as an ultimate fact rather than a conclusion of law, such finding, in light of

¹³As said by the Supreme Court of California in *Eastern Columbia, Inc. v. Waldman*, supra, note 6, at p. 274, "Whether a permanent injunction should issue becomes a question of law where the ultimate facts are undisputed and in such case the appellate court may determine the issue without regard to the conclusion of the trial court. (*Thompson v. Moore Drydock Co.*, 27 Cal. (2d) 595; *Richards v. Dower*, 64 Cal. 62; *Isert v. Riecks*, 195 Cal. 569; *Carolina Pines, Inc. v. Catalina Pines*, 128 Cal. App. 84.)"

the undisputed evidence on the subject, was "induced by an erroneous view of the law", hence it is "clearly erroneous". *Aetna Life Ins. Co. v. Kepler*, supra. See also, *Sanders v. Leech*, supra; *United States v. Still*, supra; *Campana Corporation v. Harrison*, supra.

In certain respects the findings appear to be inconsistent in themselves. For example, the court found, as we have previously indicated, that the "plaintiff's 'The Stork Club' has acquired a widespread and valuable reputation" and that it "has commanded and now commands patronage * * * from throughout the United States * * * including the metropolitan area of San Francisco, California" (Tr. 41); yet it found, also, that "the plaintiff's trade name 'The Stork Club' has no value in the State of California" (Tr. 39). The latter finding is not only in conflict with the former, but is completely contrary to the undisputed evidence.

The finding that the appellant's trade name has no value in California, considered in light of the further finding, referred to previously in the brief, that the "plaintiff does not have and is not interested in any place of business within the State of California" (Tr. 40), indicates that the court was under the erroneous impression that the appellant was not entitled to injunctive relief in California for the reason that it had no business establishment within the state. Such a view, as we have shown above, is unsound in principle and is contrary to the case law, in general as well as in California.

The finding that the appellant's trade and patronage has "steadily and materially increased yearly" (Tr. 43), while true, is completely irrelevant and may be dismissed as surplusage. The appellant was not required to prove actual or monetary damage, much less that it suffered an over-all decline in revenue.

The refusal of the court to make any finding as to the appellees' wilfulness and bad faith in appropriating the appellant's trade designations, although request for such a finding was made (Tr. 30), indicates, as we have shown, that the court failed to attribute the proper legal effect to the evidence in this regard.

On the issue of confusion in general, the undisputed evidence in this case shows (1) that the appellant was first in the field with a trade name and related insignia which are highly unique, arbitrary, and fanciful; (2) that this name and insignia have acquired, as the result of an extensive advertising and promotional campaign conducted for a period of more than ten years with the expenditure of hundreds of thousands of dollars, a nation-wide reputation as signifying the appellant's cafe and night club in New York; (3) that the appellant draws patronage and custom from all parts of the United States, including California and the San Francisco metropolitan area; (4) that the appellees have adopted and are now using both a trade name and an insignia which are confusingly similar to, if not identical with, the appellant's distinctive and valuable trade designations; (5) that such acts on the part of the

appellees were for the sole purpose of trading upon the appellant's good will and reputation and thereby attracting patronage to their place of business by inducing prospective customers to believe that there was some connection between such business and that of the appellant, or that such business was sponsored or approved by the appellant; (6) that the appellees' business is in the same general class as that of the appellant and is sufficiently related to the appellant's business to create a likelihood of confusion; (7) that the appellant was entitled to the protection of its valuable trade designations in the state of California; and (8) that upon the entire record, and as a matter of law, there is a likelihood, if not certainty, of confusion, the conduct of the appellees constituted unfair competition, and the appellant is, therefore, entitled to an injunction.

III. THE APPELLANT IS ENTITLED TO AN INJUNCTION UPON THE THEORY OF DAMAGE TO A PROPERTY RIGHT.

The conduct of the appellees not only amounts to unfair competition, but it constitutes, also, an unlawful invasion of the appellant's property rights in its trade name and insignia, and causes or threatens to cause irreparable injury and damage to such property rights.

1. **The appellant has a property right in its trade name and insignia in California.**

Section 14400 of the Business and Professions Code provides as follows:

“Any person who has first adopted and used a trade name, whether within or beyond the limits of this State, is its original owner.” (Added by Stats. 1941, Chap. 59, Sec. 1, p. 709).

And Section 14402 of the same Code provides that

“Any court of competent jurisdiction may restrain, by injunction, any use of trade names in violation of the rights defined in this chapter.” (Added by Stats. 1941, Chap. 59, Sec. 1, p. 710).

These statutes were formerly embodied in the Political Code as Section 3199 thereof; and in substance, they have been in effect since 1863. See *Derringer v. Plate*, supra.

In California, a trade name may be transferred in the same manner as personal property in connection with the good will of a business, and the “owner” is entitled to protection by suits at law or in equity. See Section 14401, Bus. & Prof. Code. It may be noted, further, that under the Civil Code, Section 655, “There may be ownership of * * * the good will of a business, trade-marks and signs, and of rights created or granted by statute.”

In accordance with these statutes, the California courts have repeatedly held that there may be “ownership” of a trade name or insignia, and that the right to use such trade designations is a “property” right.

See, for example, *Derringer v. Plate*, supra, at p. 295; *Evans v. Shockley*, supra, at p. 431; *Hainque v. Cyclops Iron Works*, supra note 7, at p. 352; *Hall v. Holstrom*, supra, at pp. 568-569; *Carolina Pines, Inc. v. Catalina Pines*, supra, at pp. 87, 89; *Jackman v. Mau*, supra, at p. 263; *Ward-Chandler Bldg. Co. v. Caldwell* (1935), 8 C. A. (2d) 375, 377; *Reid v. St. John* (1924), 68 C. A. 348, 356; *Wood v. Lazar* (1863), 21 C. 448, 451; *Eastern-Columbia, Inc. v. Waldman*, supra. In the latter case, which appears to be the latest expression of the California Supreme Court on the subject, the court observed that the plaintiff "owns the trade name" (p. 271) and had "acquired property rights and good will therein" (p. 270).

It is equally clear from the California cases that, in accordance with Section 14400 of the Business and Professions Code, supra, such ownership or property right in a trade name or insignia may exist whether the designation is first adopted and used "within or beyond the limits of this State". As said in *Derringer v. Plate*, supra, at p. 295, "The manufacturer at Philadelphia who has adopted and used a trademark, has the same right of property in it at New York or San Francisco that he has at his place of manufacture." See also, *Hall v. Holstrom*, supra, at p. 569.

2. The appellees' use of the appellant's trade name and insignia causes irreparable damage.

Inasmuch as the appellant has a property right in its trade name and insignia, in California, it follows that the appellant is entitled to enjoin any unprivi-

leged use of such trade designations which causes or threatens to cause injury or damage to its property.

By the term "unprivileged use" we mean any commercial use of the word "stork", or the insignia of a stork, other than in its generic or dictionary meaning. In addition, it may be conceded for the purpose of this case that the appellant would have no right to prevent the use of the word, or the picture, in its common suggestive sense—as applied, for example, to diapers or teething rings. We do contend, however, that any commercial use of the word "stork", and its related insignia, in a "secondary" sense is unprivileged as to this appellant, and that any such use which causes or threatens to cause injury or damage to the appellant's property right may be enjoined.

The authorities have come to recognize that in modern society the primary purpose of a trade name or mark is often its advertising function. As *Callman* says, at p. 805, "Advertisement is the function of the trade-mark that requires and illustrates its independence as an economic value and a subject of legal protection." And any unauthorized use of a distinctive trade designation tends to weaken its advertising appeal and thereby to destroy its economic value.

It is said in *Philadelphia Storage Battery Co. v. Mindlin*, supra, at p. 179, a trade name or mark

"* * * is more than a symbol of existing good will or a mere commercial signature; it has a creative function; it serves as a 'silent salesman' to attract custom. The dilution of its selling powers and 'the whittling away of its uniqueness'

by use on noncompeting products constitutes a real injury for which there should be redress. Schechter, *Rational Basis of Trademark Protection*, 40 *Harvard Law Review*, 813; Fog and Fiction in *Trademark Protection*, 36 *Columbia Law Review*, 60."

Likewise, in *Arrow Distilleries v. Globe Brewing Company*, *supra*, the court observed that (p. 351):

"* * * the rule that coined or fanciful marks or names should be given a much broader degree of protection than words in common use is sound, for it recognizes not only the orthodox basis of the law of trade-marks that the sale of the goods of one manufacturer or vendor as those of another should be prevented, *but also the fact that in modern business the trade-mark performs the added function of an advertising device, whose value may be injured or destroyed unless protected by the courts.* Schechter, *The Rational Basis of Trade Mark Protection*, 40 *Harvard Law Review* 813; *Restatement of Torts*, sec. 715(b)."

In *Bulova Watch Company v. Stolzberg*, *supra*, the court said (pp. 546-547):

"Gradually, however, the cases have come to recognize that it is the 'unfairness' of the defendant's conduct rather than the existence of 'competition' between plaintiff and defendant which forms the basis for the intervention of a court of equity. The trade-mark not only serves to designate the source of the owner's products, but also stands as a symbol of his good will and hence is an instrument for the creation and retention of custom. Schechter, F. I., *The Rational Basis of*

Trade-Mark Protection, 40 Harvard Law Review, 813. Where the mark is strong, i.e., unique or fanciful, the courts have been more prone to grant protection from use on noncompeting goods.”

* * * * *

“Whatever the distinctions on which the decisions are rested, running through them all is a basic notion of ‘unfairness’. Where the plaintiff has a fanciful or strong mark, built by long use and much expense, he has a substantial interest in his good will. A use by the defendant, even on non-competing goods, may result in injury to the plaintiff’s reputation and dilute the quality of the trade-mark. If the relationship in the products is not too remote under the Waterman rule protection should be given.”

In *Aetna Casualty & Surety Co. v. Aetna Auto Finance, Inc.* (1941), 5 Cir., 123 F. (2d) 582, cert. den. 315 U.S. 824, 62 S. Ct. 917, 86 L. Ed. 1220, the court, after pointing out that the defendant’s activities would necessarily result in depriving the plaintiff of some business, went on to say (p. 584):

“But more significant and important than the fact that this is so, is the purpose evidenced by the choice, by this new comer into the field of automobile financing, of name and advertising matter. This purpose is to project itself into that business arena panoplied in a name already favorably known, rather than to come into it on its own merits, and slowly building, here a little, there a little, establish its own place. * * * Cases in point here are: [Citing cases]. These cases all hold that where as here it plainly appears that there is a purpose to reap where one has not

sown, to gather where one has not planted, to build upon the work and reputation of another, the use of the advertising or trade name or distinguishing mark of another, is in its nature, fraudulent and will be enjoined.”

In *Acme Chemical Co. v. Dobkin*, supra, the court held that there was a likelihood of confusion, and added that (p. 614):

“* * * It also appears to me there is a purpose to reap where one has not sown, to gather where one has not planted, to build upon the work and reputation of another, the use of the advertising or trade-name of the plaintiff and, under such circumstances, it is the duty of the court to grant injunctive relief. *Aetna Casualty & Surety Co. v. Aetna Auto Finance, Inc.*, 5 Cir., 123 F. 2d 582.”

Similarly, in *Lady Esther v. Lady Esther Corset Shoppe*, supra, the court recognized that unless injunctive relief were granted “the good-will of plaintiff, which it has built up at great expense over a period of years, would be whittled away” (p. 11). And in *Cleo Syrup Corp. v. Coca-Cola Co.*, supra, the court granted an injunction to prevent the plaintiff’s good will from being “nibbled away” (p. 417).

In the words of a leading authority on this subject, the “real injury” in cases involving non-competing goods or businesses “is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public con-

sciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.” *Schechter, The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825.

Another authority has gone so far as to suggest that in cases, such as the present one, where the danger of dilution exists the court “should not embark upon an obviously irrelevant inquiry into the possibility of confusion. Any use of such famous marks as ‘Aunt Jemima’ and ‘Budweiser’ or ‘A. & P.’ in connection with any product other than the original should be enjoined irrespective of whether there is any similarity between the goods”. *Callman*, *supra*, at pp. 1342-1343.

The California courts, also, have recognized that the “benefits of an exclusive trademark are to create and preserve a favorable reputation, to stimulate the sale of a product, and to distinguish it from similar competing products” (*Sun-Maid Raisin Growers v. Mosesian*, *supra*, at p. 494, emphasis ours). See also *Hall v. Holstrom*, *supra*, at p. 596. And while most of the California cases deal with personal names, geographical names, and other designations which are relatively “weak”, in at least one case, namely, *Hall v. Holstrom*, *supra*, involving a “strong” designation, “The White Spot” as applied to a restaurant, the court granted injunctive relief upon the theory that the plaintiff had an exclusive property right in such name and that the use of a similar name by the defendant resulted in damage to the plaintiff’s

“standing and reputation” and to the “marketability of the plaintiff’s business” (p. 571). While that case involved a registered trademark, the California courts have pointed out that the “registration of a trademark, like the recording of any other instrument, is merely *prima facie* evidence of its validity and ownership”. *Sun-Maid Raisin Growers v. Mosesian*, supra, at p. 494.

It is apparent from the evidence in this case that the appellees’ use of the appellant’s distinctive trade name and insignia necessarily impairs their significance and value as advertising devices, particularly since the appellees appropriated such trade designations, as we have already shown, for the sole purpose of “riding the coattails” of the appellant’s good will and reputation. Unless injunctive relief is granted to preserve the identity and singularity of its valuable trade symbols, the appellant may one day find itself literally “hemmed in” by “Stork Clubs”, and as a result, the value of its trade designations, and its great investment in them, may largely be destroyed.

There is no “commercial necessity” (*Eastern-Columbia, Inc. v. Waldman*, supra, at p. 272) for the appellees to use the word “stork” or its picturization in connection with their business. By acts of calculated piracy they have appropriated the appellant’s property, and such conduct has caused and threatens to cause irreparable injury and damage to the appellant and to its valuable trade designations. The appellant, therefore, is entitled to an injunction upon this ground, as well as upon the theory of confusion.

IV. INJUNCTIVE RELIEF IS NOT BARRED BY LACHES.

1. Laches is not a defense to a suit for injunction.

The answer in this case did not allege, the record does not show, and the court did not find that the appellant has abandoned its right to the exclusive use of its trade designations in California, or that the appellant is estopped from asserting such right as against the appellees. The sole issue is whether, by mere delay, the appellant has lost its right to an injunction.

While laches may preclude recovery of *damages* for unfair competition or infringement, such a defense is not available in a suit for injunction to prevent a continuing wrong. This rule is so well established as to require no more than a citation of authorities. *Brooks Bros. v. Brooks Clothing of California*, supra, at p. 458, and cases cited; *Phillips v. The Governor & Co.*, supra, at p. 974; *Hall v. Holstrom*, supra, at p. 570; *Tomsky v. Clark* (1925), 73 C. A. 412, 420; *Schmidt v. Brieg* (1893), 100 C. 672, 681.

2. The appellant was not guilty of laches.

Despite the settled law on the subject, the trial court found that "the said plaintiff has been guilty of laches and delay in taking no action of any kind or character whatsoever against said defendants or the predecessor in interest of said defendants for the period of three (3) years from the first use of said name in said premises" (Tr. 43).

The salient facts are that the name "Stork Club" has been used in reference to the San Francisco es-

establishment since March 1, 1943, on which date the appellees' predecessor applied to the State Board of Equalization for licenses authorizing the sale of beer, wine and distilled spirits under the name "Stork Club" (Tr. 278-279); that prior to such application, the business was conducted under the name "Elbow Room" (Tr. 279); that the business was purchased by the appellees on April 6, 1945 (Tr. 232); that on May 4, 1945 and again on May 15, 1945, the appellant, acting through its attorneys, sent letters to the appellees advising them as to the appellant's prior rights in the name "The Stork Club" and related insignia, and demanding that they discontinue their use of such name and insignia (Tr. 222-224; 226-227, 283); and that the complaint was filed on February 25, 1946. Aside from the above mentioned letters, the record does not show when the appellant first had knowledge that its trade name and insignia were being used by the San Francisco establishment.

It thus appears that at the time the appellant sent the letters to the appellees demanding that they cease using its trade designations, only about two years had elapsed since such designations were first used in reference to the San Francisco establishment, and that such letters were sent to the appellees about *one month* after they acquired the business. The suit was filed within ten months after the letters were mailed. And so far as the record shows, the appellant did not know about the appellees' use of its trade designations until on or about the dates of such letters.

Under the circumstances, and even assuming that the defense of laches is available, it seems too clear to require further argument that the appellant was not guilty of laches and that the trial court's finding in this respect is clearly erroneous.

In addition to the finding of laches, the trial court found that the appellant "has not caused a demand to be made upon said defendants that said defendants desist and discontinue the use of the said trade mark 'Stork Club'" (Tr. 40), and that the appellant "has not heretofore caused a demand to be made upon said defendants that said defendants desist or continue the use of said trade name, 'Stork Club' or the aforesaid related insignia" (Tr. 43).

The making of such a demand is not, of course, a condition precedent to the filing of suit or to the appellant's right to injunctive relief, and the above findings might therefore be dismissed upon the ground they are of no consequence. However, since they are somewhat related to the issue of laches, we cannot pass them by without pointing out that they are clearly erroneous.

As we have already indicated, the appellant introduced into evidence two letters which were prepared by its attorneys and duly mailed to the appellees advising them as to the appellant's prior rights in the name "The Stork Club" and related insignia, and demanding that they discontinue their use of such name and insignia. The first of these letters, dated May 4, 1945, was addressed to the "Stork Club, 200

Hyde Street, San Francisco, California"; and the second, dated May 15, 1945, was addressed to the "Stork Club, 200 Hyde Street, San Francisco, California, Attention N. Sahati, Zafer Sahati, Sally Sahati, Edmond Sahati, Alfred Ansara and A. E. Syufy partners". These letters were admitted as Plaintiff's Exhibits 68 and 69, respectively (Tr. 222-224, 226-227, 283).

The witness Nicholas N. Sahati was permitted to testify, over objection of the appellant's counsel, that the appellees were not in possession of the San Francisco establishment on the dates the letters were mailed (Tr. 264-266). This testimony was received despite the fact that the witness had already testified that the appellees were the actual owners of the establishment on April 6, 1945, and that they had been receiving a percentage of the profits since about March 15, 1945 (Tr. 232). In addition, the record shows that the liquor license, and the beer and wine license, were transferred to the appellees on April 6, 1945 (Tr. 278); that a sales tax permit was issued to the appellees as of March 16, 1945 (Tr. 282); and that the appellees actually paid the sales tax after April 11, 1945 (Tr. 282).

Moreover, in their verified answer to the complaint, which was sworn to by the above mentioned witness, the appellees "admit that on or about April 6, 1945, they became the owners of and ever since have operated and conducted" the San Francisco establishment "under the name of 'Stork Club'" (Tr. 19-20). And

this same witness, in his affidavit in opposition to the appellant's motion for a preliminary injunction, stated that "affiant and the other named defendants purchased said business on April 6, 1945, from the former owner thereof, to-wit: one William Bush, and that affiant and said other defendants have owned and operated said business since said date" (Tr. 13).

Under the above circumstances, the testimony of this witness that the appellees were not in possession on May 4 and May 15, 1945, was patently inadmissible. While Sahati testified, also, that *he* did not receive the letters (Tr. 263-264), there was no evidence that his partners did not receive them. Presumably they did receive them (California Code of Civil Procedure, Sec. 1963 (24)), and notice to one partner is notice to all. *Sweet Sixteen Co. v. Sweet "16" Shop*, supra, at p. 924.

It thus appears that the testimony of Sahati that the appellees were not in possession of their business on the dates the demand letters were sent, was clearly inadmissible, and that even if admitted and believed, such testimony would not support a finding that the other appellees did not receive such letters. Hence the trial court's findings that the appellant made "no demand" are clearly erroneous, as is the finding that the appellant was guilty of laches.

V. CONCLUSION.

For the foregoing reasons the judgment of the trial court should be reversed with directions to grant the appellant an injunction as prayed for in the complaint.

Dated, San Francisco,
August 30, 1947.

Respectfully submitted,
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